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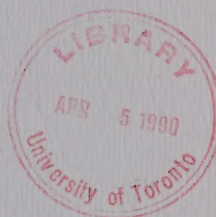
ENVIRONMENTAL ASSESSMENT BOARD

VOLUME: 185

DATE: Tuesday, March 27th, 1990

BEFORE: A. KOVEN, Chairman

E. MARTEL, Member



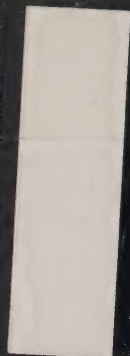
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HEARING ON THE PROPOSAL BY THE MINISTRY OF NATURAL
RESOURCES FOR A CLASS ENVIRONMENTAL ASSESSMENT FOR
TIMBER MANAGEMENT ON CROWN LANDS IN ONTARIO

IN THE MATTER of the Environmental
Assessment Act, R.S.O. 1980, c.140;

- and -

IN THE MATTER of the Class Environmental
Assessment for Timber Management on Crown
Lands in Ontario;

- and -

IN THE MATTER OF a Notice by the
Honourable Jim Bradley, Minister of the
Environment, requiring the Environmental
Assessment Board to hold a hearing with
respect to a Class Environmental
Assessment (No. NR-AA-30) of an
undertaking by the Ministry of Natural
Resources for the activity of timber
management on Crown Lands in Ontario.

Hearing held at the Offices of the
Environmental Assessment Board,
2300 Yonge Street, Suite 1201, Toronto,
Ontario, on Tuesday, March 27th,
1990, commencing at 8:30 a.m.

VOLUME 185

BEFORE:

MRS. ANNE KOVEN
MR. ELIE MARTEL

Chairman
Member

A P P E A R A N C E S

MR. V. FREIDIN, Q.C.)	
MS. C. BLASTORAH)	MINISTRY OF NATURAL
MS. K. MURPHY)	RESOURCES
MS. Y. HERSCHER)	
MR. B. CAMPBELL)	
MS. J. SEABORN)	MINISTRY OF ENVIRONMENT
MS. B. HARVIE)	
MR. R. TUER, Q.C.)	ONTARIO FOREST INDUSTRIES
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MS. E. CRONK)	LUMBER MANUFACTURERS'
MR. P.R. CASSIDY)	ASSOCIATION
MR. H. TURKSTRA	ENVIRONMENTAL ASSESSMENT BOARD
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MR. R. EDWARDS)	NORTHERN ONTARIO TOURIST
MR. B. McKERCHER)	OUTFITTERS ASSOCIATION



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(iii)

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MR. C. BRUNETTA	NORTHWESTERN ONTARIO TOURISM ASSOCIATION

I N D E X O F P R O C E E D I N G S

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1 ---Upon commencing at 10:00 a.m.

2 MADAM CHAIR: Good morning. Please be
3 seated.

4 MS. SWENARCHUK: My apologies, blush,
5 blush, for the delay.

6 MADAM CHAIR: You have had a bad morning.

7 Why don't we have lunch at 12:30 and some
8 time between now and then we will stop for a short
9 break, you can pick the spot.

10 MS. SWENARCHUK: Mr. Cosman has a couple
11 of questions before I begin.

12 MR. COSMAN: Madam Chair, there are just
13 a few questions arising from the scoping session from
14 the Board that yet have not been answered, some have,
15 and I just wanted, rather than leave it to the Board,
16 put them specifically to the panel.

17 CAM WATSON;
18 MICHAEL ROSS; Resumed

19 CONTINUED DIRECT EXAMINATION BY MR. COSMAN:

20 Q. First of all for Mr. Ross. Mr. Ross,
21 if you would turn to page 22 of Exhibit 1046, which is
22 the Economic Profile Report, the first bullet at the
23 bottom of the page -- the first of the two bullets at
24 the bottom of the page there is a reference to Crown
25 dues and bonus payments. In that bullet you will see

1 the statement:

2 "In 1983-84, stumpage charges were
3 approximately \$47-million including both
4 Crown dues and bonus payments."

5 MADAM CHAIR: Excuse me, Mr. Cosman, what
6 page is that?

7 MR. COSMAN: Page 22 of the thick
8 document. And at the bottom half of the page there is
9 a reference you will see starting:

10 "Payments paid by the forest industries
11 in return for harvesting timber on Crown
12 lands include timber fees for stumpage
13 charges and area charges."

14 And then in the first bullet below that
15 there is a reference to \$47-million in stumpage fees
16 for '83, '84 including both Crown dues and bonus
17 payments.

18 Q. At the scoping session the Chairman
19 at the time asked: What are these particular terms.
20 Could you assist the Board in that regard?

21 MR. ROSS: A. Certainly. What are
22 called stumpage charges are really composed of these
23 two components, Crown dues and bonus payments. Crown
24 dues which represent about 95 per cent of the total in
25 in 1985-86 are I think what people typically are

1 thinking of when they respond to the word stumpage. In
2 other words, it is a rate which is applied to each
3 cubic metre of timber which is harvested.

4 Bonus payments are on top of that, they
5 are negotiated payments between the MNR and the licence
6 holder, in certain circumstances, to reflect
7 particularly the extra value, if you will, in
8 particularly attractive stands of timber. They are
9 intended to reflect things like quality of timber,
10 accessibility of timber and operability, ease of
11 extracting the timber.

12 Q. Secondly, Mr. Ross, on that same page
13 there is also some reference to increase in stumpage
14 fees from 1983 to 1989, and the Board wanted to know
15 whether, in fact, stumpage fees have increased in that
16 period, can you assist in that regard?

17 A. Yes. Actually we speak a bit on the
18 subject on page 25 of the same report. And the issue
19 here is really Crown dues because they are virtually
20 the entire amount of stumpage charges. There have been
21 several increases in -- well, to back up a step, the
22 way Crown dues that are set there is a base rate and
23 then there is an indexed amount on top of the base
24 rate.

25 Prior to 1984 the indexation was in line

1 with inflation in relevant commodity prices. Since
2 1984 there was a switch to what is called a "double
3 indexation system" so, in effect, the relevant prices
4 of the commodities go up 5 per cent, the index factor
5 goes up by 10 per cent.

6 In addition to that double indexing
7 indices, which has tended to mean higher Crown dues in
8 periods of rising commodity prices - and the adverse
9 when that is not the case - there have been two
10 increases of 25 per cent in the base rate itself, one
11 in April 1, 1984, and one in July 1, 1988. There are
12 different base rates integrated and non-integrated
13 operations, I believe that only the integrated
14 operations had the second 25 per cent increase.

15 Q. Now, Mr. Ross, on another point, with
16 respect to the case studies, and particularly the
17 Abitibi Report, the assumption is made that the
18 Ministry of Natural Resources would not cover the
19 increased cost of roads under the FMA agreement
20 procedure, and the Chairman at the scoping session
21 asked whether or not this is based on some knowledge by
22 the industry that MNR is either not going to do this,
23 or limit subsidy for roads in the future or whether
24 this is supposition.

25 Can you assist the Board as to why you

1 made this assumption for purposes of your case study?

2 A. I think the assumption is relatively
3 widely held in the industry. We sought to confirm it
4 by seeing what had actually happened to both funding on
5 the Spruce River FMA for Abitibi-Price.

6 Q. That's the relative FMA?

7 A. That's the FMA within which the case
8 study has been undertaken. In 1981-82 Abitibi-Price
9 received 100 per cent of the road funding they
10 requested. In 1983-90 they expect to get about 34 per
11 cent of the funding they have requested.

12 In addition, we have extracted some
13 quotes from the transcript of the hearing, Mr. Oldford
14 in week 26 on page 14473 of the transcript stated the
15 following, and I will quote it:

16 "Also, Mr. Chairman, our monies paid
17 under the FMA program for road
18 construction have been declining very
19 rapidly as we have achieved our objective
20 of accessing old forest and also as a
21 result of not having available as much
22 money as we could put into that
23 activity. When we have got a choice of
24 silviculture or funding roads, we fund
25 silviculture."

1 The quote continues in the same vein.

2 Q. Okay. On another matter with respect
3 to planning costs in the case study, I would ask, the
4 Chairman put the question: What is a planning cost as
5 used in the report? And that was a reference to page
6 27 of the Volume 2, that is the Economic Impact Study,
7 and in that regard I understand you actually prepared a
8 breakdown of planning costs in response to a
9 interrogatory from Forests For Tomorrow?

10 A. Yes, that's correct.

11 MR. COSMAN: Madam Chair, I would tender
12 Forests for Tomorrow Interrogatory Question No. 11 and
13 the answer to it.

14 MADAM CHAIR: Did you want this to be an
15 exhibit, Mr. Cosman?

16 MR. COSMAN: Yes, please.

17 MADAM CHAIR: Exhibit 1052.

18 MR. FREIDIN: 53, isn't it?

19 MADAM CHAIR: That is right, yes. 1052
20 is the updates on Exhibit 1045.

21 MR. FREIDIN: Yes, we have amended
22 Exhibit 18 which is included in the Exhibit 46.

23 MADAM CHAIR: Yes.

24 MS. SWENARCHUK: This one is which number
25 then?

1 MADAM CHAIR: 1053.

2 ---EXHIBIT NO. 1053: Forests for Tomorrow,
3 Interrogatory Question No. 11 and
4 the answer thereto.

5 MR. COSMAN: Now, Mr. Ross --

6 MR. ROSS: A. If I might, Mr. Cosman,
7 could I just clarify one thing. It is not clear from
8 the interrogatory, although I believe it is in the
9 text, that what we are talking about is the additional
10 planning costs associated with planning for the current
11 level of reserves. There are other planning activities
12 obviously that are going on as well, but they have been
13 excluded.

14 Q. I wonder if you just might answer
15 that question then having regard to the interrogatory
16 that is before you and your own information that was
17 the basis for that answer in the interrogatory. What
18 is a planning cost as used in your report?

19 A. Well, there --

20 Q. And what is the basis for it?

21 A. They are intended to be, as I have
22 said, the incremental costs of planning for reserves,
23 and they are broken down in the interrogatory into
24 essentially labour costs and the cost of an allocation
25 of the cost of operating in the GIS system.

The labour costs include an allocation to

1 planning and amendment to the Timber Management Plan,
2 on-ground layout -- and on-ground layout costs, it
3 amounts to two person months a year. The gist of it is
4 that the total annual cost of planning and implementing
5 reserves for Camp 11 are in the order of \$25,000 a year
6 averaged out over the five-year operating plan cycle.

7 Q. And that 25,000 figure was the figure
8 included in your report?

9 A. It was.

10 Q. All right. Now, with respect to the
11 Midway Lumber case study page 31 of Volume 2, that's
12 the Exhibit 1047, there is one further question
13 relating to the statement made on the first sentence of
14 the last paragraph:

15 "As a speciality sawmiller, Midway
16 could use only 27 per cent of the wood
17 harvested in 1988 from the lands
18 allocated to them."

19 And there was a question as to what this
20 27 per cent figure meant and what was its context, and
21 does this indicate a supply problem or not; can you
22 assist there?

23 MADAM CHAIR: Excuse me, that question
24 was also asked in the context of previous evidence we
25 had heard from MNR, that they make efforts to

1 supplement wood supply when they run into problems like
2 that.

3 MR. ROSS: I think all this does is
4 reflect the fact that Midway is a specialized sawmiller
5 and only a certain amount of the wood that is available
6 for harvest can be used by them.

7 Essentially Midway uses the veneer logs
8 and the specialized sawlogs that are harvested on their
9 allocations, and that really means certain hardwood
10 sawlogs, white pine sawlogs and large jackpine sawlogs.

11 Midway does not harvest the wood
12 themselves, they have contractors who harvest the wood.
13 The contractors also harvest the other wood which is
14 intended to be cut, which is either pulpwood or smaller
15 diameter jackpine sawlogs, and the contractors deliver
16 that wood either to pulp mills or to the Narin Sawmill
17 at E.B Eddy.

18 So the wood is all getting used and I
19 think Midway is using the wood that is appropriate for
20 its requirements, and the pulp mills and the other
21 sawmills are using that wood. So the 27 per cent does
22 not suggest a shortage per se, it is just the nature of
23 the way the reserve is being put to its best use.

24 MR. COSMAN: Q. Thank you. And
25 finally --

1 MADAM CHAIR: Excuse me, just to follow
2 up on that: Do you know then whether the negotiations
3 that are going on between Midway and MNR have to do as
4 as well with mNR looking for ways of supplying them
5 with veneer and the specialized sawlogs that they need
6 for another location than the proposed five-year
7 harvest allocation?

8 MR. ROSS: I think the result of Midway's
9 own business makes them prefer certain stands of timber
10 to other stands of timber, and part of what the
11 discussions are about is whether certain stands should
12 be substituted for other stands. Typically I think
13 Midway would like to get into mature white pine, if
14 they can find it, or older stands than the Ministry may
15 have wished them to go to, so --

16 MADAM CHAIR: So we are talking about the
17 geographic area that is designated in that plan?

18 MR. ROSS: Yes. Now, Midway is allocated
19 certain stands or groups of stands in a larger
20 geographic area, and there is some discussion as to
21 which stands should be allocated and which stands
22 should be cut in the first five years.

23 MR. COSMAN: Q. In this case it is not a
24 question, to your knowledge, of obtaining the wood from
25 outside that geographic limit?

1 MR. ROSS: A. Well, they operate in
2 several -- they have quite dispersed operating areas, I
3 think they operate in four different Crown management
4 units, so that there is some geographic scope.

5 Q. It would be their contractors in each
6 of those areas that are cutting in accordance with an
7 approved plan?

8 A. Yes.

9 Q. That ends those questions. And just
10 two things. There is an errata. Yesterday you made
11 reference to the fact, when I filed the errata, that
12 there was one particular figure, but rather than take
13 the time to explain it, you would put it in document
14 form, and you have done that.

15 MR. COSMAN: I would tender that, Madam
16 Chair, and ask the witness just to explain it.

17 Q. It looks fairly long, but perhaps you
18 can tell us what it is about, Mr. Ross?

19 MADAM CHAIR: Exhibit 1054.

20 ---EXHIBIT NO. 1054: Documented explanation of errata
21 sheet re Mr. Ross' evidence.

22 MR. ROSS: Perhaps we could turn to the
23 the Profile Report, Exhibit 7. The Profile Report is
24 Exhibit 1046, what I am looking at is my Exhibit 7
25 within it.

1 Just as soon as I find it I will refer
2 you to it. It is opposite page 21. For the prior
3 1985-1986, the item Federal Excise Tax0 which is shown
4 as \$23.2-million should be corrected to \$25.5-million.
5 That correction flows through that table, and
6 unfortunately we refer to the table in about six
7 different places in the report and all the other
8 changes are picking up that relatively small
9 correction.

10 MR. COSMAN: Finally, Madam Chair, one
11 answer to an interrogatory to be filed as an exhibit is
12 Ministry of Natural Resources, Question No. 5.

13 Q. Now, we have heard, Mr. Ross, a
14 certain amount of negative evidence in terms of
15 socio-economic impact. I wanted to finish on a
16 slightly different note.

17 MADAM CHAIR: Thank you. Exhibit 1055.

18 ---EXHIBIT NO. 1055: OFIA/OLMA answer to MNR
19 Interrogatory Question No. 5.

20 MR. COSMAN: Q. The question was: Why
21 has there been a dramatic increase in softwood lumber
22 production in the period 1970 and 1980, as indicated
23 with reference to page 29, and I wonder if you might
24 just review your answer in that regard?

25 MR. ROSS: A. That is page 29 of the

1 Profile Report, the Board's Exhibit 1046, and I think
2 actually the question was prompted by looking at
3 Exhibit 10 which follows page 29.

4 This exhibit is looking at indices of
5 produciton volume and the top line, the one that has
6 shown an increase of about 240 per cent in volume over
7 the period, is the production of lumber in Ontario.
8 And the question is: What are the basic reasons for
9 that dramatic increase?

10 Q. And what are they?

11 A. Well, just to summarize the
12 interrogatory response, first there has been a
13 substantial increase in consumption of softwood lumber
14 in North America reflecting new home construction,
15 substantial increases in renovation and rehabilitation
16 of existing housing and development of new markets,
17 partly through preservation, improved preservation
18 techniques for fences and decks, and that kind of
19 thing.

20 The second reason is although we can
21 forget sometimes from the short-term perspective, since
22 1970 there has been a substantial decline in the value
23 of the Canadian dollar compared to the U.S. dollar, so
24 Canadian producers in general have become more
25 competitive over that time period.

1 And thirdly, I think there has been a
2 continued evolution and restructuring of the industry
3 and considerable production capability has been put in
4 place. To say it a little bit differently, the first
5 two reasons are really demand reasons and the industry
6 has responded by increasing its ability to supply.

7 MR. COSMAN: Thank you very much.

8 Thank you, Madam Chair.

9 MADAM CHAIR: Thank you.

10 CROSS-EXAMINATION BY MS. SWENARCHUK:

11 Q. I'm going to start with clarifying
12 some issues that arose in the direct testimony
13 yesterday.

14 Mr. Ross, I did not quite hear your
15 response on this question, but there was some reference
16 made to your experience in doing cost/benefit analysis.
17 Now, did you indicate that any of the work that you did
18 for the industry in these documents amounts to
19 cost/benefit analysis?

20 MR. ROSS: A. I do not believe I did.

21 Q. Right. That is not your position?

22 A. No.

23 Q. And you would agree with me that it
24 is, in fact, not a cost/benefit approach to analysis
25 here but an input/output approach?

1 A. Could you refer me more specifically
2 to one or the other of the reports?

3 Q. I will come back to the issue later
4 in context, I just wanted to clarify what you said
5 yesterday.

6 And, Mr. Watson, when you were reviewing
7 the data from your report, you referred to direct
8 forestry-related employment in the near north, and I
9 believe that you indicated that that amounts to about
10 3,700 jobs. Do you have a breakdown, or did you
11 consider in that analysis how much of that employment
12 is on private land as opposed to Crown land forestry?

13 MR. WATSON: A. I don't have that
14 information, no.

15 Q. So that was total forestry employment
16 and not simply Crown land forestry employment in the
17 near north?

18 A. And in the north.

19 Q. Okay. Now, you also referred
20 yesterday, Mr. Watson, to a type of cost of living
21 survey that you did subsequent to receiving an
22 interrogatory on that issue?

23 A. Yes.

24 Q. I wonder if you could outline with a
25 little more detail the methodology that was used for

1 this survey and particularly which towns or communities
2 were included in the survey?

3 A. Yes. Madam Chair, I have copies of
4 several pages that outline what we did. Should I
5 distribute that?

6 MADAM CHAIR: Yes. Would you like to
7 make them an exhibit. Exhibit 1055 -- 1056, sorry.

8 ---EXHIBIT NO. 1056: Outline of methodology employed
9 for survey by Mr. Watson.

10 MR. WATSON: I can take you through this
11 material, if you would like.

12 MS. SWENARCHUK: Q. Briefly, yes,
13 please.

14 MR. WATSON: A. All right. We looked --
15 well, the communities that we looked at are shown on
16 the first page. We have put an F next to those
17 communities which are designated as being forestry
18 communities and there are five -- as I mentioned
19 yesterday, five of the communities in which forestry
20 employment is most intensive. And then we took -- and
21 they come from Categories 1 and 2.

22 Q. Could you just stop there and
23 indicate how you chose those particular five?

24 A. Well, the five include Smooth Rock
25 Falls from Category 1. We wanted a township from

1 Category 1 -- most of the communities in Category 1 are
2 townships - and the second, Terrace Bay, and we wanted
3 a representative size range, so that those were the
4 factors considered.

5 We had no knowledge as to whether their
6 cost of living was lower or higher or otherwise. And
7 then coming down into Category 2, Iroquois Falls, which
8 is the second item in Category 2.

9 Actually if we look at the last two
10 pages, the large pages, you will see the population of
11 the municipalities taken.

12 We took Kapuskasing, which was the sixth
13 item in Category 2, we wanted one sample of a somewhat
14 larger municipality, and Long Lac was a Town in
15 Category 1 and I mentioned Smooth Rock Falls, Terrace
16 Bay -- I mentioned Terrace Bay.

17 So that we simply wanted five of the most
18 heavily concentrated forestry employment centres and we
19 wanted a mix of population and a mix of townships.
20 Then when it came to moving down into Category 4 --

21 Q. Excuse me, what do you mean by a mix
22 of populations?

23 A. We wanted to ensure that different
24 population sizes were represented?

25 Q. Sizes?

1 A. Yes. So that we have several of the
2 2,000 range because that is the most common range, is
3 at the smaller end. We have Iroquois Falls at about
4 6,000; Kapuskasing at 11,000.

5 So then we move down to Category 4 and we
6 selected, if you go to the last page of this
7 presentation, five centres there which had familiar
8 populations. Nickel Centre being the counterpart to
9 Kapusksasing at about 11,000; Parry Sound being the
10 counterpart to Iroquois Falls at about 6,000; and then
11 the remaining three being at approximately 2,000. The
12 number of choices to select from in that size range in
13 Category 4 is fairly limited.

14 Q. So you did not consider such factors,
15 for example, as the distance of the communities from
16 major distribution sources in terms of transportation
17 costs, food costs, those kinds of things?

18 A. No, we did not look at that. So that
19 the items that we looked at, going back to page 1,
20 first of all, food - and I can outline what each of
21 these means in more detail - but for the food item that
22 we looked at we show the price of the commodities in
23 descending order of size.

24 So Golden had the highest price, and its
25 index is shown as 100; and then Iroquois Falls had the

1 second highest, and it's index is therefore 95.18 on a
2 proportionate basis, and so on.

3 So we looked at food, we looked at -- in
4 terms of recreation we looked at the cost of arena
5 rental as a factor common to most or many
6 municipalities. We looked at the cost of clothing, the
7 cost of gasoline, monthly rent for a defined dwelling,
8 and then we ascertained that they were items where
9 there was no differential, or virutally no
10 differential, beer and liquor based on LCBO policy,
11 bank interest rates based on the procedures of the
12 banks that we spoke to and then, of course, DSTM,
13 department store type merchandise and consumer durables
14 which in the main would be purchased in the larger
15 centres, in the cities.

16 And then the last two items, we looked at
17 average house price and average lot price. And, as you
18 can see, I guess working back from average house price
19 and average lot price, the forestry communities were at
20 the low end of the scale for house price and for lot
21 price. And working back to rent, they were in the
22 middle to low end of the range.

23 With gasoline they were at the upper end
24 of the range other than with the exception of Golden;
25 for clothing they were at the low end of the range; for

1 arena rental they were middle to lower end; for food
2 items they were relatively evenly distributed.

3 Now, I am not suggesting that this little
4 survey ranks with the Stat Can CPI measurement, but I
5 think it does provide us with some useful information
6 and an indication of cost of living in forestry versus
7 non-forestry municipalities. And it certainly suggests
8 to me that if there is a difference; the difference is,
9 as I said yesterday, in that the forestry communities
10 have a lower cost of living and, of course, coupling
11 that with a higher income you have a higher standard of
12 living.

13 Q. To what would you attribute a lower
14 cost of living in the forestry communities?

15 A. Well, I think each community has its
16 own particular circumstances - I believe it was Long
17 Lac - in the course of doing that we found that it was
18 subject to -- the housing prices were subject to some
19 layoffs, I think, in the rail employees -- for rail
20 employees.

21 That is one particular circumstance. I
22 am sure each of the municipalities has its own set of
23 circumstances at any particular point in time and these
24 things change, but I do not know that I can generalize
25 or explain this, I only just finished the survey a few

1 days ago.

2 Q. You are not suggesting that it is the
3 presence of a forest component that makes the prices
4 lower -- that makes the cost of living lower in those
5 communities?

6 A. I do not know that there would be any
7 direct connection between those two things. I guess
8 one would have to look at housing policy, whether
9 housing was provided at a subsidized rate, but that
10 would not be incorporated in this survey in any event,
11 these were market prices. So offhand I do not see a
12 connection. I guess there could be, but...

13 Q. Okay. Would you turn to Exhibit
14 1050, please. These were your display boards, and I am
15 interested in the chart entitled: 1985 Ontario Average
16 Annual Full-Time Employment Incomes.

17 A. Yes.

18 MR. FREIDIN: The title again?

19 MS. SWENARCHUK: 1985 Ontario Average
20 Annual Full-Time Employment Incomes, it is about
21 halfway through the document.

22 Q. Can I ask you initially with respect
23 to the forestry incomes that you analysed: Did you at
24 all consider the rate of unionization in that industry?

25 MR. WATSON: A.- I am simply reporting on

1 what the incomes were. You are saying, did I consider
2 unionization...In what way? It would affect income,
3 but --

4 Q. Did you investigate at all the
5 question of whether forestry work is relatively highly
6 unionized?

7 A. I was aware that it is relatively
8 highly unionized.

9 Q. It is relatively highly unionized,
10 right. Is it not also the case that with the other
11 occupations here, which are at the high end of the
12 scale, such as for example teaching and related
13 industries, all Ontario teachers are members of
14 professional teacher associations; protective services,
15 police and firefighters tend to be organized as well.

16 And would you not agree that unionization
17 plays a factor in raising wages towards the high end?

18 A. Yes, I think it does.

19 Q. That could be true with regard to the
20 forestry industry as well?

21 A. It certainly was a factor.

22 Q. I wonder with regard to the next page
23 in Exhibit 1050, which was Figure 41, Ontario Average
24 Weekly Earnings, if you would provide us with a list of
25 the I believe 30 Ontario communities that you examined,

1 and I am not asking that you read that off now.

2 MS. SWENARCHUK: But that it be provided
3 at some point, Mr. Cosman?

4 MR. WATSON: That has been provided,
5 Madam Chairman.

6 MS. SWENARCHUK: Q. Could you just
7 identify where it is?

8 MR. WATSON: A. Yes, it is Appendix F.
9 We have there the full detail on each of the
10 communities involved.

11 Q. Thank you. Now, you indicated in
12 your report, and you discussed with Mr. Martel
13 yesterday, the differences in income levels between
14 tourism-related occupation and forestry-related
15 occupations, and the problem with an assumption that
16 forestry jobs can simply be replaced by tourism jobs.

17 Would you agree that it is at least
18 possible that in some areas of the province with high
19 tourism potential that the possibility of increased
20 tourism development is there as an alternative use for
21 forest lands, alternative or perhaps complementary use
22 in some areas?

23 A. Well, certainly there are areas where
24 tourism could be increased. I think considerable
25 efforts have been directed at that by the three levels

1 of government and by the private sector. I don't know
2 know that the results in recent years have been as
3 encouraging as they might be, but certainly you have
4 phrased the question in terms of are there particular
5 areas. I presume there must be.

6 Q. Now, Mr. Ross, from your testimony
7 yesterday -- too much paper, we have cut down too many
8 trees for this. All right, page 18 of the Economic
9 Profile Report --

10 MR. COSMAN: What page?

11 MS. SWENARCHUK: Page 18, Table 2. I
12 think this would be a convenient time, Madam Chair, for
13 me to file a package of selected interrogatories which
14 I will be referring to through the testimony.

15 MADAM CHAIR: Exhibit 1057.

16 MR. FREIDIN: Madam Chair, I am just
17 wondering, for the record, whether we could identify
18 the interrogatories which are included so it shows up
19 in the transcript, the list of interrogatories with a
20 list of exhibits.

21 MADAM CHAIR: For Exhibit 1057?

22 MS. SWENARCHUK: Fine, I will just read
23 them off then. They are Forests For Tomorrow
24 interrogatories No. 5, 7, 9, 10, 11, which Mr. Cosman
25 previously filed, 12, 13, 16, 17, 19 and 21, and 22,

1 - and Ministry of the Environment Interrogatory No. 1.

2 ---EXHIBIT NO. 1057: Package of FFT interrogatories
3 No. 5, 7, 9-13, 16, 17, 19, 21,
4 22, and MOE Interrogatory No. 1.

5 MS. SWENARCHUK: Q. And I wanted to ask
6 you, Mr. Ross, about the Ministry of the Environment
7 interrogatory which is the last page of this
8 collection.

9 It refers us back to the table on page --
10 Table 2 on page 18. And your response to that question
11 indicates that the capital expenditure data reported in
12 this catalogue include provincial and federal grants.
13 So do I take it then that the total capital expenditure
14 listed on that page, 664, on Table 2 includes
15 provincial and federal grants?

16 MR. ROSS: A. Yes.

17 Q. So would it be correct then that --
18 I believe you indicated yesterday the industry spent
19 two-thirds of a billion in capital expenditures in that
20 year. Wouldn't it be more accurate to say that
21 two-thirds of a billion was spent in capital
22 expenditures by the industry and government in that
23 year?

24 A. Well, I think it was all spent by the
25 industry. Some of it may have been funded through
grants from either the provincial or federal

1 governments. If that is the case, I do not know how
2 much was the case.

3 There certainly was a substantial grant
4 program that was put in place by the two levels of
5 government in the late 70s and early 80s. It is my
6 impression that most of that money had been spent by
7 1985, although I am sure some of it will be shown here
8 as well.

9 Q. Do you have information that could
10 allow you to define what you meant when you said
11 substantial amounts for government grants?

12 MR. COSMAN: You mean before 1985?

13 MS. SWENARCHUK: Q. In the context in
14 which he now used the word.

15 MR. ROSS: A. We, I think as I mentioned
16 yesterday, did a study, an evaluation of the pulp and
17 paper facilities modernization subagreement and I am
18 sure if I dug into that report I would remind myself
19 what the amount of the grants were. So I can certainly
20 do that. I can either do it now or later, as you wish?

21 Q. I would be content if you would
22 provide that to me later, thank you.

23 Now, Mr. Ross, you discussed in this
24 report and in your testimony yesterday the cyclicity
25 of the industry and identified for us that it's, in

1 fact, similar to other industries to some extent and
2 less cyclical than, for example, the automotive
3 industry. To what do you attribute the cyclical nature of
4 the forestry industry?

5 A. Well, essentially it's I guess the
6 interaction of two things. Certain components of the
7 industry are characterized by cyclical demand, I think
8 the lumber industry is an example of that; in other
9 words, depending for example on what is happening to
10 housing starts which may reflect interest rates a
11 demand for lumber can rise or fall.

12 For a number of the pulp and paper
13 products, in general, demand is more stable although
14 Ontario's position in the industry is such that perhaps
15 Ontario feels fluctuations more than other segments of
16 the industry do.

17 In addition, I think some of the
18 cyclical nature in the pulp and paper side of the industry
19 is associated with the waves of capital expansion that
20 are put in place from time to time.

21 Q. Could you explain what you mean by
22 that?

23 A. I think historically the industry has
24 tended to put new capital investment in place to some
25 extent as it has had funding available to do so and as

1 market trends have suggested that it would be
2 attractive to do so.

3 To some extent the various members of the
4 industry are seeing the same signals and have the same
5 cycles of internal cash resources, so there is a
6 tendency I think for people to put their investment in
7 place at certain points in the business cycle. I think
8 we have probably been passing through such a point in
9 the last few years and I believe Panel 5 evidence
10 discusses that in some detail.

11 The addition of capacity means that
12 generally capacity/utilization rates will decline, and
13 that is one component of the cycle.

14 Q. The capacity/utilization rates,
15 _sorry?

16 A. The capacity/utilization rates will
17 decline. Capacity/utilization rates are the ratio
18 between production and the available productive
19 capacity. If demand is relatively stable and you, as
20 an industry, are increasing capacity in a reasonable
21 increment, then average capacity/utilization declines
22 until demand catches up with the higher level of
23 capacity.

24 Q. So this tends to contribute to cycles
25 in the industry then?

1 A. I think it's a contributing factor to
2 cycles in one component of the industry, and I think
3 it's probably to some extent true of manufacturing and
4 mining in general.

5 Q. Now, you identified in the report
6 increases in employment in the industry I believe since
7 1970. Are you expecting continued increases in
8 employment in the industry in future?

9 A. I have not made a forecast.

10 Q. And what about with regards to labour
11 productivity? Your report indicates the increase in
12 labour productivity over that time period. Do I take
13 it then you have not made any forecasts or projections
14 with regard to whether similar or whether there will be
15 increases in labour productivity in coming years as
16 well?

17 I believe that is Exhibit 22, opposite
18 page 44.

19 A. I have not made a forecast of
20 productivity levels in future. I would anticipate that
21 partly as a result of the substantial capital
22 expenditures that continue to be put in place in the
23 industry and, because of the competitive imperative
24 that productivity continue to increase, that
25 productivity improvement will continue.

1 Q. And this would be largely as a result
2 of technological innovations; is that correct?

3 A. I am not sure it is necessarily
4 technology as much as just bringing equipment up to the
5 current state-of-the-art and removing bottlenecks. In
6 other words, it is not technology change as much as
7 replacement of existing assets by more productive
8 assets.

9 Q. And would you have any information
10 with regard to whether that will ingender increased or
11 decreased employment? When we talk about productivity
12 increase we are usually talking about more output per
13 employee at least, but also with mechanization people
14 are concerned about fewer employee jobs. Do you have
15 any information about that trend?

16 A. I don't. It seems to me though that
17 it I guess becomes a question of what the output
18 capabilities of the industry as a whole will be, which
19 will reflect their capital expenditures, reflect any
20 changes in the use they make of the fiber, may reflect
21 issues like recycling, which I think has been dealt
22 with in other evidence, and are obviously being dealt
23 with by the industry.

24 To say that a little differently, the
25 industry has shown growth in employment over the past

1 couple of decades notwithstanding substantial
2 productivity increases. I certainly wouldn't rule that
3 out in the future.

4 Q. Now, if we could look at Exhibit 31,
5 please, which is opposite page 62. And you provided
6 information yesterday, I believe, that the average pulp
7 and paper mill invests \$12-million for competitive
8 purposes annually, and I wondered whether that figure
9 also includes federal and provincial government grants?

10 A. Let me just remind myself, if I
11 might. I don't see the reference. I can't remember if
12 we said it in the report, but I am virtually certain
13 the answer is yes.

14 Q. And I wonder if you could provide us
15 with figures on those proportions as well?

16 A. I don't have them.

17 Q. You don't have them?

18 A. No.

19 Q. Now, Exhibit 32, Mr. Ross, which is
20 really the next page, it has to do with planned capital
21 expenditures and I think you indicated that these
22 expenditures are in addition to expenditures
23 contemplated as a result of increased or changed
24 regulation in Ontario; is that right, that these
25 expenditures would be in addition to changes required

1 to meet regulatory changes?

2 A. I think the way we've said it is in
3 the first paragraph on page 63, which is that there
4 were some specific environmental regulatory changes
5 that are clearly in process, but the requirements that
6 are being imposed on the companies have yet not been
7 fully defined and the companies didn't feel that they
8 knew what those magnitudes would be and had not
9 incorporated them by and large in these capital
10 expenditure projections.

11 Q. Do you know then why when we look at
12 Exhibit 32 we see in each column increasing amounts of
13 expenditure?

14 Let's just look at Column No. 1,
15 Competitive Reasons, Average Per Mill, we see a height
16 of expenditure in 1991 of 28.6, dropping then down very
17 substantially to 14.4.

18 In the next column, Capacity Expansion,
19 we see the height reached in 1992, 17, dropping then
20 very substantially to 8. And there seems to be a more
21 gradual drop in the third category, Total Mill Capital.
22 What would cause those dramatic changes?

23 A. Well, I'm only speculating here
24 because I don't think we have sought the answer to
25 those questions, but I think part of the answer,

1 particularly the falloff in later years, probably just
2 reflects the nature of five-year capital budgeting.

3 Really what we are asking companies to do
4 is report their capital spending plans for the next
5 five years, and my own experience is typically those
6 kind of plans may tail off in the latter years because
7 they are far enough out in the future that people
8 haven't really had to come to terms with them. Why the
9 peak is in 1991 I am not sure.

10 Q. Assuming that these regulatory
11 provisions are to be put in place in the 92-93 period,
12 when I saw the chart I was inclined to think that the
13 big drop might have to do with completion of those
14 requirement expenditures?

15 A. I guess that's conceivable, although
16 my experience would be that typically companies would
17 move things in and out of a plan if they had funding
18 constraints rather than, if you will, leave a hole in
19 the plan for anticipated expenditures.

20 I'm not saying that that is the case, and
21 it's a speculation that had not occurred to me, but my
22 guess would be that is not the case, that it's more
23 reflects the nature of the five-year capital planning
24 process.

25 I might add that when you compare Exhibit

1 32 to 31, and recognizing that these are all in
2 constant dollars, it's not that 1992 and '93 are
3 unusually low by historical standards, it is rather that
4 '89, '90 and '91 are higher than historical standards,
5 which is maybe more consistent with the view that this
6 was the result of a peak in the industry's performance
7 flowing through into capital expenditures.

8 MRS. SWENARCHUK: I'm going to move on
9 to another area. Would this be a convenient time for a
10 break?

11 MADAM CHAIR: All right. Why don't we
12 take a 15-minute break then.

13 ---Recess taken at 10:57 a.m.

14 ---On resuming at 11:15 a.m.

15 MADAM CHAIR: Please be seated.

16 MS. SWENARCHUK: Q. Mr. Ross, one
17 question that I forgot before I move on. With regard
18 to the capital expenditure data, would that data
19 include expenditures for roads?

20 MR. ROSS: A. We have excluded all
21 woodlands capital expenditures in these numbers and
22 that excludes roads as well.

23 If I might add, Madam Chair, I found the
24 reference I was looking for a few moments ago. In
25 response to the question as to whether Exhibit 31 I

1 believe it includes or excludes grants, and the
2 answer is: Those numbers are all gross of grant, they
3 include any grant amounts that are paid. That's on the
4 third paragraph on page 60.

5 MR. COSMAN: Is it in the report?

6 MR. ROSS: It's in the report on the
7 third paragraph of page 60.

8 MADAM CHAIR: All right.

9 MS. SWENARCHUK: Now, Madam Chair, before
10 I proceed into the studies in depth, I want to say
11 initially that, of course, there is an enormous amount
12 of data here and it is not my intention to take the
13 Board's time with exploring every issue in which we may
14 have some disagreement.

15 You will be hearing economic-related
16 evidence in our case as well, but I merely want to
17 focus on some important areas with regard to the
18 evidence presented. And in this case, as in all other
19 cases, failure to cross-examine does not connote
20 agreement with the data.

21 Q. Now, Mr. Watson, I think I will ask
22 you first. You agree that there are varying types of
23 economic analysis that could be applied to examining a
24 given industry. We could look at it from the
25 perspective of financial analysis or an input/output

1 analysis - excuse me, I'm going to direct this question
2 to Mr. Ross - or a cost/benefit analysis; is that not
3 correct?

4 MR. ROSS: A. I think the way I would
5 phrase a question like that is to say that, depending
6 on what the question is you want to know the answer to
7 there are different analytical techniques that are
8 appropriate.

9 Q. Exactly.

10 A. Each of those techniques might be
11 appropriate to answer different questions.

12 Q. And, for example, the input/output
13 analytic technique is helpful in presenting an overall
14 picture as your economic profile has done of the forest
15 industry; it does not, however, consider a range of
16 other factors that a cost/benefit analysis of, for
17 example, the impact of the forest industry on Ontario's
18 economy might consider?

19 A. I have difficulty responding to the
20 question because I am not sure what it would mean to
21 say that one did a cost/benefit analysis of the impact
22 of the forest industry on Ontario's economic.

23 Certainly the input/output analysis,
24 which is one of the tools which we have used in parts
25 of our study, is useful for delineating the economic

1 dimensions and some of the economic consequences of an
2 industry like the forest industry, that is how we have
3 tried to use it.

4 Q. But it does not delineate; does it,
5 any for example negative impacts on the environment,
6 including the economic environment, of the presence of
7 the industry?

8 For example, just at the simplest level,
9 loss of potential recreation or commercial tourism
10 opportunities due to forestry operations?

11 A. You could use an input/output
12 analysis tool to help explore those issues, we have not
13 sought to explore the issues. I should say, I
14 understand we are talking basically about the Profile
15 Report in this exchange?

16 Q. Yes. Are you suggesting that the
17 economic framework document is a cost/benefit analysis?

18 A. No, but I am suggesting it's not an
19 input/output analysis either.

20 Q. And how would you characterize it?

21 A. I think it's an attempt to try and
22 put some of the linkages in place that are necessary to
23 look at the economic impact side of an impact analysis
24 as I have defined it in the first chapter of the
25 framework report; in other words, look at the economic

1 consequences of a proposed forest management activity,
2 look at the efficacy, is it likely to achieve what you
3 want, and then compare those two.

4 Q. And again, it's not looking at
5 comprehensive positive and negative impacts for the
6 socio-economic environment of the industry; is that not
7 correct, in the same way that a cost/benefit analysis
8 would do?

9 A. We are talking about the framework
10 report?

11 Q. Yes.

12 A. It is not looking at all of the
13 dimensions that a cost/benefit analysis would typically
14 look at.

15 Q. Now, Mr. Watson, if we could turn to
16 your report and specifically to Chapter 2, the
17 literature review.

18 Would you agree that generally the
19 studies on single-industry towns indicates that such
20 towns are vulnerable, the economies of such towns are
21 vulnerable to changes in the single industry?

22 MR. WATSON: A. Yes.

23 Q. And they're more vulnerable to
24 economic problems than communities with a more diverse
25 economic basis; is that not correct?

1 A. Other things being equal - and they
2 aren't always - but, yes.

3 Q. And again the literature discusses
4 widely the need for diversification in single-industry
5 towns?

6 A. There is reference to the
7 desirability of diversification, yes.

8 Q. And that overall single-industry
9 dependency is not, shall we say, a desirable state for
10 a community?

11 A. Well, I guess in an ideal world in an
12 economic sense every community would have the
13 diversification of Metro Toronto and would have that
14 kind of strength. That, of course, is impossible,
15 and some communities I think have a best purpose in
16 being specialized, and to go beyond that best purpose
17 is difficult or impossible.

18 However, communities in the north, many
19 of them are striving and have striven to diversify in
20 that that is a -- as I say, other things being equal,
21 that is a preferred state.

22 Q. And so we should not conclude from
23 your report overall that you are promoting the idea
24 that single industry, in this case forestry dependency,
25 is a condition which should be promoted; is that

1 correct?

2 A. I am not suggesting that we should
3 seek to promote forest dependency, no; I am suggesting
4 that we should seek to preserve and enhance the
5 forestry base that is there as the first order of
6 priority, but not blindly to the exclusion of other
7 things.

8 Q. Now, on page 2-23 of your report,
9 Chapter 2, page 23.

10 MR. COSMAN: In Mr. Watson's report?

11 MS. SWENARCHUK: Yes.

12 Q. You are referring as you have began
13 on page 2-22 --

14 MR. FREIDIN: I'm sorry, 2-23?

15 MS. SWENARCHUK: 2-22 and -23.

16 MR. FREIDIN: Thank you.

17 MS. SWENARCHUK: Q. You are quoting from
18 the single industry town literature, the document
19 entitled Canada's Single Industry Communities, a Proud
20 Determination to Survive?

21 MR. WATSON: A. Yes.

22 MS. SWENARCHUK: Madam Chair, Mr. Cosman
23 was courteous enough to provide me with a copy of this
24 document. We don't, of course, have copies for
25 everyone.

1 I am going to be referring only to a
2 couple of pages in it and perhaps we can file our copy,
3 this copy with the Board for the record. Mr. Watson,
4 of course, has it since he reviewed it as part of his
5 report.

6 MADAM CHAIR: All right. The other
7 parties may take that copy during the lunch hour break
8 and xerox the appropriate pages, if they want.

9 MS. SWENARCHUK: Q. Now, on page 2-23 of
10 your report, Mr. Watson, in the third paragraph you
11 quote from the single industry report that with regard
12 to possible reasons for closures your report cites the
13 quotation:

14 "Poor management, unreliable
15 transportation, high labour and
16 production costs, corporate
17 restructuring, failure to modernize, or
18 unpalatable government policies."

19 And that quote appears on pages 6 and 7
20 of the document.

21 A. Yes.

22 Q. Yes. And wouldn't it have been
23 desirable for candor with the Board that you include
24 the next sentence of that paragraph which is part of
25 the explanation of closures the document cites; namely:

1 "There have also been cases where
2 a company would use a particular
3 operation as a 'cash cow' to be discarded
4 when the profit flow subsides."

5 So that is another reason that is cited
6 for these closures; is that not correct?

7 A. I guess that might not fall under
8 corporate restructuring. You could call that another
9 reason, yes.

10 MADAM CHAIR: Excuse me, Ms. Swenarchuk,
11 what was that quote again?

12 MS. SWENARCHUK: The chapter is: What
13 Causes Closures and Cutbacks, and at the bottom of page
14 5 and over to page 6 the sentence that is quoted on
15 page 2-23 lists some of the causes to which the
16 closures are attributable.

17 It then goes on to list another cause,
18 which was not included, and I am therefore citing, and
19 it reads:

20 "There have also been cases where a
21 company would use a particular operation
22 as a 'cash cow' to be discarded when the
23 profit flow subsides."

24 This would be another reason why a
25 closure might occur.

1 MR. WATSON: I guess if we are clarifying
2 the reference, Madam Chair, the report speaks to an
3 initial set of reasons and those are the reasons at the
4 bottom of page 2-22 and 2-23 of my report, those are
5 considered to be the primary reasons.

6 Ms. Swenarchuk has taken us to my
7 paragraph 3 which in the document quoted is prefaced by
8 the sentence:

9 "There may be other more subtle
10 reasons for closure."

11 So what I have mentioned are some of the
12 more subtle reasons for closure and then the paragraph
13 then went on to say:

14 There have also been...", implying
15 perhaps even more subtle still, but...

16 MADAM CHAIR: Yes. I was asking about
17 that because I don't really see that that's separate
18 from a number of these six major causes which include
19 low profitability, exhaustion of the resource.

20 It is not an important point, I just did
21 not hear the full quote the first time around.

22 MS. SWENARCHUK: Are you saying, in your
23 view, it is not an important point?

24 MADAM CHAIR: No, I am not saying it is
25 not important; I am saying I don't think it is totally

1 separate from some of the other major reasons.

2 MS. SWENARCHUK: The writers of this
3 report obviously considered an additional factor to be
4 identified on its own, and I think it is important for
5 the Board to have that information as well. We will
6 provide a copy of the page as well and you can see the
7 entire context.

8 MADAM CHAIR: We have not given this an
9 exhibit number. Exhibit 1058.

10 MS. SWENARCHUK: And it is Canadian
11 Single Industry Communities, A Proud Determination To
12 Survive, and it is a report by the Canada Employment
13 and Immigration Advisory Council to the Minister of
14 Employment and Immigration February of '87.

15 ---EXHIBIT NO. 1058: Canadian Single Industry
16 Communities, A Proud
17 Determination To Survive, report
18 by the Canada Employment and
Immigration Advisory Council to
the Minister of Employment and
Immigration, February 1987.

19 MS. SWENARCHUK: Q. And is it not the
20 case, Mr. Watson, that this is one of those reports
21 that calls for maximum economic diversification in
22 single industry towns as well? For example, at the
23 bottom of page 17 of the report:

24 "To achieve maximum success, economic

25 diversification efforts should begin as

1 soon as the single industry community is
2 born."

3 MR. WATSON: A. Yes. The paragraph
4 commences with the statement that many single industry
5 communities are convinced that diversification of their
6 economic base is their only salvation.

7 I am not sure whether the authors of this
8 report endorse that with the same emphasis, but I think
9 that is a thread that runs throughout the report to
10 some degree.

11 MR. FREIDIN: Just for the record, could
12 you indicate the pages that you were referring to, Ms.
13 Swenarchuk, so that if we want to look at it we can?

14 MS. SWENARCHUK: Yes. That was on page
15 17 at the bottom right-hand column.

16 MR. FREIDIN: Thank you.

17 MS. SWENARCHUK: Q. And is it not also
18 the case, Mr. Watson, that the Fahlgren Commission
19 stressed the need for economic diversification in
20 single industry towns. For example, at page 95 of the
21 report --

22 MR. WATSON: A. Which of the Fahlgren
23 reports are you referring to?

24 Q. The final report recommendations,
25 Exhibit 33 in this hearing.

1 MR. FREIDIN: Chapter 9, page 5?

2 MS. SWENARCHUK: That's correct. And I
3 will make this easier by giving out copies of that
4 page.

5 MADAM CHAIR: Do we need make this an
6 exhibit, Ms. Swenarchuk?

7 MS. SWENARCHUK: I don't think so since
8 it is included in the previous one. I just thought it
9 would be convenient for people to have it.

10 Q. So in the second and third paragraphs
11 of that page, is it not correct, Mr. Watson, again the
12 authors are emphasizing the need to attempt to
13 diversify in single industry communities?

14 MR. WATSON: A. Yes.

15 Q. Now, if we could turn to Chapter 3 of
16 your report, please. Now, I am going to ask you to
17 explain the second paragraph of that chapter.

18 A. The second paragraph indicates that
19 in the course of reviewing the data that we had
20 collected and examining it one of the things that we
21 did was to run a linear single-variable regression
22 analysis looking at the relationship between the
23 percentage of forestry employment in each individual
24 community and a number of the socio-economic variables
25 that we were looking at.

1 Q. Could I just ask you now to explain
2 how a simple linear regression analysis is done,
3 briefly?

4 A. Well, it's a measure of least
5 square's distance from a fitted line, it's a
6 mathematical equation that is done by computer.

7 Q. It's intended to show what?

8 A. It's intended to show the
9 relationship between two variables, one dependent and
10 one independent for a particular sample, and we found
11 that -- I indicate here that the results of that run
12 were inconclusive. We found that there was a
13 relationship between the percentage of forestry
14 employment and the variables, the correlation varied,
15 it was not extensive.

16 We had -- by examining percentage of
17 forestry employment we had explained a part of the
18 variation in the variables that we looked at, but it
19 was clear from that work and from our knowledge of the
20 communities involved that there were a host of
21 variables that impacted upon -- host of other variables
22 that impacted upon the performance of these individual
23 municipalities relative to things like average income
24 and other things.

25 And we note in Paragraph 2 that some of

1 those other factors are the composition of the forest
2 industry itself. I made the point yesterday that there
3 are at least the four subdivisions that we've dealt
4 with in terms of forestry services and wood industry
5 and paper and allied and so on.

6 And then, of course, there are
7 significant differences in the communities themselves;
8 we have Indian reserves, we have improvement districts,
9 unorganized settlements, townships, towns, cities.
10 And, in addition, we have other types of employment of
11 particular relevance; mining, tourism and so on.

12 Now, we did not have the same sort of
13 data for other types of employment. I mentioned mining
14 as one example. That information is not published and
15 it was a matter of whether or not it would be
16 productive to seek to obtain a special run and to
17 pursue this further.

18 We did not believe that it was productive
19 in that our emphasis in the report and as economists is
20 more with -- or not so much with historically how these
21 communities got to where they are and with the past,
22 it's a matter of the future and how would the addition
23 of or the reduction of employment such as forestry
24 employment impact on the communities.

25 We were able to deal with-looking at the

1 impact of those increments by learning more about the
2 industry and how it relates to communities, and that is
3 what we went on to do. That is what we were getting at
4 in that paragraph.

5 Q. Now, the variables that were subject
6 to this analysis, are these the variables that you then
7 document on this chapter, or were there other
8 variables?

9 A. No, we are speaking of variables
10 within this chapter.

11 Q. So do I take it then you did not do
12 analysis of such questions as difference in
13 demographics in the communities, ages of population,
14 gender distribution, any of those factors?

15 A. No, those are additional variables.
16 I mean, there is dozens of factors that are going to
17 have an influence but, as I say, we satisfied ourselves
18 that forestry employment had a significance and we
19 analysed how at the margin increases or decreases -- or
20 we considered how they would impact on community
21 performance and went on from there.

22 Q. All right. So am I correct in
23 assuming then that the total number of variables to
24 which analysis was applied is the number of variables
25 that are documented in this chapter, and that other

1 issues such as, for example, demographic differences
2 were not considered in the study?

3 A. We worked with the information that
4 we had in the chapter. You are asking if we worked
5 with any additional information such as demographic
6 information that is not contained in Appendix C--

7 Q. Right.

8 A. --D and E, and the answer is, no.

9 Q. Thank you.

10 MADAM CHAIR: Excuse me. But certainly,
11 Mr. Watson, you drew conclusions of a demographic
12 characteristic.

13 For example, when you talked about the
14 out migration of younger people, that was simply a
15 conclusion that came from forestry employment, although
16 it does have a demographic content?

17 MR. WATSON: The out migration of younger
18 people, Madam Chair --

19 MADAM CHAIR: You mentioned it in your
20 evidence yesterday?

21 MS. SWENARCHUK: Q. Mr. Watson, didn't
22 you only mention that in the context that it is a
23 possible consequence of economic downturn--

24 MADAM CHAIR: Yes.

25 MR. WATSON: Yes.

1 MS. SWENARCHUK: Q. --as opposed to a
2 variable that was actually studied in your analysis?

3 MR. WATSON: A. That's right. Yes, that
4 was a conclusion drawn from consideration of these
5 things in our experience. I guess your focus, Ms.
6 Swenarchuk, is on the database, the Appendix C database
7 and the use of it.

8 Q. Right. And that brings me to my
9 question with regard to Appendix C. Am I correct in
10 concluding that your comparison -- in your comparison
11 of forestry to non-forestry communities you considered
12 all Category 3 communities to be forest communities?

13 A. Well, we considered Categories 1, 2
14 and 3 to be forestry communities; however, clearly the
15 intensity of that connection diminishes as you move
16 from 1 to 2 to 3.

17 Q. Okay. Let's just take a look at
18 those differences right now. It might be helpful for
19 the Board if you would put up your enlarged Appendix C.
20 It is this large fold-out which is Appendix C in Mr.
21 Watson's report, and he has it there.

22 Now, just to try to underline some of
23 these differences, Mr. Watson. The Category 1 which
24 contains the smallest number of communities and the
25 smallest population, only 1.7 per cent of the northern

1 population, these are the communities with the highest
2 proportion of forest-related labour force; is that not
3 right?

4 A. Yes.

5 Q. Over 40 per cent. And then in
6 Category 2 the proportion of forestry population varies
7 from about 15 to 39?

8 A. Precisely.

9 Q. That's right. And then in Category 3
10 the proportions vary from 2 per cent to 14 per cent?

11 A. Yes. Actually from 3.1 to 14.6.

12 Q. Right, the actual figures, yes. Now,
13 that is quite a spread; isn't it?

14 A. Those three spreads.

15 Q. I'm suggesting that in Category 3
16 communities represent quite a spread. There is quite a
17 difference in terms of single industry dependency if
18 you have 3 per cent of your population in one industry
19 as opposed to 14 per cent?

20 A. That's quite a spread. The spread in
21 Category 1 is the difference between 40 and 70, so that
22 it's less than double; Category 2 is the difference
23 between 15 and 38, two and a half times; Category 3 is
24 from 3 to almost 15, so that it's four to five times.

25 Q. I think no one would contest though

1 that an industry which -- a community in which its
2 employment force is concentrated in any particular
3 industry, 40 per cent or even above 15 per cent shows
4 considerable concentration.

5 But when we are talking about variations
6 in employment concentration between 3, or for many of
7 these Category 3 communities under 7, we are in quite a
8 different situation; aren't we?

9 A. Yes. There is a question of where we
10 should make the cut-off, so that we did not introduce
11 into Category 4 an undue amount of forestry while still
12 dealing with the points you have raised, and we debated
13 whether to make it zero or 2 per cent, 5 per cent. I
14 mean, there is a range in there. And I would point out
15 that Thunder Bay is in the middle of this group at
16 roughly the middle, actually it's two-thirds of the way
17 up at 11 per cent. So, you know, there is a fair
18 amount of forest industry activity in Thunder Bay
19 obviously.

20 Q. And with regard to Category 3, 24 out
21 of these 56 communities have less than 7 per cent
22 forestry-related employment? I think I can count, I
23 think I have got that right, but a fair number of them
24 are under 7 per cent?

25 A. Yes.

1 Q.. And some of the larger communities
2 which should reflect well, I would suggest, with many
3 other economic variables, such as Sault Ste. Marie is
4 in this category and it has 3.3 per cent
5 forestry-related employment, and Timmins is also in
6 this category with 4.6 per cent?

7 A. Yes.

8 Q. And I am suggesting that the
9 inclusion of those types of communities as
10 forestry-dependent communities for the purposes of your
11 analysis tends to skew your results, it tends to
12 attribute to forestry concentration attributes which
13 perhaps it's not entitled to claim?

14 A. Pardon me. You are relating this to
15 the consideration of a particular variable, or what are
16 you saying?

17 Q. Well, I guess essentially I am saying
18 that when communities as large as Timmins and Sault
19 Ste. Marie with such a relatively small amount of
20 forestry-related employment are identified in your
21 studies as forestry-dependent communities, that all the
22 other elements that might contribute to the economic
23 health of those communities will show up in your
24 studies as attributable to forestry because you have
25 described them as forestry-dependent.

1 A. No, I have not. I have defined them
2 as forestry industry, one of several components of the
3 local economy. That is not forestry-dependent.

4 Forestry dependent is based upon the
5 literature, and I would agree with it, 15, 20, up to
6 30. This is a category where it is simply saying it's
7 one of several components; it's not without its
8 importance to the economy.

9 Q. All right. For the purposes of all
10 your comparisons in Chapter 3, is it not correct that
11 all those economic variables in towns like this will be
12 reflected in your report as being variables in a
13 forestry-dependent town? In other words, they are part
14 of the 1, 2, 3 grouping as opposed to the 4 grouping?

15 A. They are part of the three groupings,
16 yes, you are right.

17 Q. That's right. Now, looking again at
18 Chapter 3 of your report in those comparisons, would
19 you agree with me that --

20 MR. FREIDIN: I am sorry, Ms. Swenarchuk,
21 do you have your speaker on? I am having difficulty
22 hearing you.

23 MS. SWENARCHUK: Q. With regard to the
24 comparisons made in Chapter 3 of your report, would you
25 agree that there are differences in these communities

1 other than the percentage of the labour force employed
2 in forest-related functions; such differences as, for
3 example, age distribution within the community,
4 community age, community size itself?

5 MR. WATSON: A. Certainly there are
6 dozens of differences, and I have alluded to a number
7 of them in the second paragraph that you started this
8 with.

9 Q. And analyses of these types of
10 differences weren't done in order to establish whether
11 some of the economic findings of the communities were
12 related to these other factors?

13 A. As I have indicated, Madam Chair, our
14 focus was not so much on how the community got to the
15 state that it's presently in, it is: How would it, in
16 an incremental sense, be impacted or affected by
17 additional forestry employment or a loss of forestry
18 employment.

19 And I guess one could spend considerable
20 amount of effort looking at the dozens of variables
21 that account for why one particular Indian reserve has
22 a high measurement of income versus a township that,
23 you know, in any one particular year has a low income.
24 There are a multitude of reasons and we did not pursue
25 all of them, no.

1 Q. And, in fact, isn't it the case that
2 your study seems to argue that all the differences that
3 you have identified between these communities are
4 attributable to differences in the degree of
5 forestry-labour concentration?

6 A. We don't say that, no. We simply say
7 that those are four groupings of communities that
8 relate to that one variable, the presence or lack
9 thereof of forestry employment and these are, on an
10 average basis, the characteristics of those particular
11 groups of communities. But we don't say that the
12 presence or lack of it, of forestry, is the only reason
13 for the differences, no.

14 Q. So you are conceding that it is not
15 the only reason for the differences?

16 A. Yes, I am conceding that. It
17 certainly is not the only one.

18 Q. Okay. Well, could you look at page
19 3-12, please, this is the beginning of Table 31. And
20 if we look at Heading No. 9 here, 1981-86, Units as a
21 Percentage of Occupied Private Category Total, and we
22 see that there is a higher percentage of these units in
23 single-industry towns -- sorry, in forestry-dependent
24 communities.

25 Now, couldn't that also be related to

1 such factors as the age of the community; so that, for
2 example, in a newer community you would expect more
3 housing starts in that 1981-86 period? In other words,
4 it's kind of a classic example of a factor that may be
5 attributable to a number of variables other than
6 forestry employment?

7 A. Well, Madam Chair, I don't know that
8 I would -- that I quite follow the explanation given.
9 Obviously it speaks to the newness or at least the
10 growth within a community, that is what it measures.
11 All we are pointing here is that those communities that
12 have higher representation of the forest industry have
13 this higher rate of growth.

14 Now, as I've have said a moment ago, that
15 undoubtedly is not the only reason, or unquestionably
16 is not the only reason, there could be other reasons,
17 but the point is that that relationship does exist.

18 And we know -- I mean, I think that is
19 the whole point, that we know from I guess Mr. Ross'
20 evidence that this industry has a propensity to invest
21 in capital facilities and infrastructure and that
22 construction activity generates growth and population,
23 and that's in the nature of this particular industry.

24 Q. Well, here we are talking about
25 housing starts, as I see it. If we are going to talk

1 about population growth overall, isn't it the case that
2 the Category 1 communities have experienced more
3 population loss, again going back to Appendix C, than
4 the other communities in the period that was mentioned?
5 This is again at page 3-12.

6 A. Yes, all four groupings lost
7 population. The loss in the case of Category 1, which
8 has been noted, Madam Chair, as a very small group and
9 subject I guess to greater fluctuations than the others
10 but, yes, the loss there was marginally greater than
11 the loss in Category 4.

12 Category 4 lost 2.6 per cent and Category
13 1 lost 3.4 per cent; Category 2 lost 1.1; and Category
14 3 lost .9. So that is looking at population and that,
15 of course, takes us to demographics and perhaps out
16 movement of youths or the death rate and births--

17 Q. A lot of unknown factors.

18 A. --and the lack of births, things of
19 that nature, but the measure that we had earlier was
20 actual residential construction, 81-86 and makes a
21 statement I think about the local real estate market
22 and things of that nature.

23 Q. But again, factors other than
24 forestry employment could have contributed to that?

25 A. Yes.

1 Q. Now, could you turn to page 3-19 of
2 the report, please. In the first complete paragraph
3 you are referring to:

4 "The widely recognized criterion for
5 measuring the financial well-being of a
6 municipal corporation is the percentage
7 of total assessment represented by
8 industrial/commercial development."

9 And you indicate the better assessment
10 proportions than in the the forestry-dependent
11 communities.

12 But in the case of a single-industry
13 community, Mr. Watson, is it not correct that even
14 though that assessment proportion is advantageous in
15 terms of returns for the municipality, that advantage
16 is qualified by the vulnerability of the community to
17 that particular industry?

18 A. Your reference then is to Category 1
19 and to some extent Category 2, which you are terming
20 single-industry communities and saying that offsetting
21 possibly the presence of a substantial amount of
22 industrial/commercial assessment is the risk or the
23 uncertainty that it could be removed. And that risk is
24 certainly there, that is a consideration, yes.

25 Q. And could we look now at page 3-22,

1 please, and at paragraph 3.2.21, Industry Composition
2 of Local Economy, and the amount of the local labour
3 force providing government services, and you have
4 described that as a greater dependence on public
5 funding.

6 A. Sorry, you are on page 3-23, did you
7 say?

8 Q. 3-22, paragraph 3.2.21. If you want
9 to just read the first paragraph of the section, I will
10 wait until you are finished.

11 A. Yes.

12 Q. So essentially, if I understand you
13 correctly, I have characterized the percentage of the
14 local labour force providing government services as
15 essentially a negative economic indicator, that this is
16 an indication of greater dependence on public funding
17 to support the local community, and that it is larger
18 on the part of non-forestry communities.

19 Isn't it correct, Mr. Watson, that many
20 of the communities in Category 4 are very small
21 communities?

22 A. Yes.

23 Q. And would you agree with me that
24 there very often levels of government services vary
25 with community size and that we see, and we expect to

1 see - and many northerns may complain about this and
2 do - but we do often see a greater range of government
3 services in larger communities?

4 A. Yes.

5 Q. There are more universities in
6 Toronto than in Chapleau?

7 A. Yes.

8 Q. So that in that sense one would
9 expect to see a greater provision of government
10 services in larger communities in the north and their
11 presence there is perhaps not at all related to
12 forestry or non-forestry dependency?

13 A. That's certainly part of the reason
14 for their existence. It would be the size of
15 community, the wealth of the community would be part of
16 it, and that would come back to the ability of the
17 community to finance the arena and the golf course and
18 so on.

19 If you look at -- you mentioned Toronto
20 versus Chapleau for universities, but I think if you
21 look at a community like Dryden in terms of the
22 recreation facilities and municipal facilities that are
23 there, I think it compares very favourably with much
24 larger communities in the south, however...

25 Q. Would you agree it compares

1 favourably with regard to services that can reasonably
2 be funded municipally, but not necessarily the broader
3 range of government services for which at least
4 provincial level funding is required; health services,
5 education services?

6 A. No.

7 Q. Those tend to be concentrated in
8 larger centres?

9 A. Well, if we are staying with Dydren
10 example, what you just said would not be at all true.
11 It's a major centre for provincial offices and it has a
12 number of provincial and federal facilities, but I
13 don't want to single out one example. You are
14 generalizing I guess.

15 Q. Okay. I guess my question, Mr.
16 Watson, is: When you are considering a question like
17 levels of public funding in a community, isn't it
18 correct that one normally sees some government services
19 differing in accordance with community size?

20 A. Community size would be a variable,
21 it would have some impact, yes, normally. I don't know
22 about per capita, though. I don't know. I am not
23 sure. I have not really --

24 Q. You did not deal with--

25 A. I have not done that at all.

1 Q. --per capita here, so we can leave
2 that one. Can we look at page 3-23, please. In
3 paragraph 3, the last sentence of the page, the
4 statement is made that:

5 "Forestry communities generally
6 have significantly higher average and
7 median household income levels in
8 comparison with non-forestry
9 communities."

10 And if we could all look back at the
11 interrogatories we have filed Exhibit 1057, Forests For
12 Tomorrow Interrogatory No. 19 asked the question
13 whether this reference indicated that a test of
14 statistical significance had been carried out and to
15 provide it. And the respond is that:

16 "The findings of the extensive
17 samplings and other work contained
18 in Chapter 4 are of statistical
19 significance."

20 Can I ask you first, Mr. Watson: Were
21 any tests of statistical significance carried out with
22 regard to the comparisions in your report?

23 A. Well, there are some tests contained
24 in your handout that you just referred to.

25 Q. Right.

1 A. They are not -- well, page 12 I
2 guess--

3 Q. Yes.

4 A. --is one that pertains to what you
5 have said. As part of the same interrogatory we
6 provided those tests and I guess in our answer that you
7 have just referred to -- oh, my answer refers there to
8 Chapter 4.

9 Q. Chapter 4, right. I just wondered if
10 you would explain the basis of your conclusion that
11 there is statistical significance in these conclusions.

12 A. Well, all right. Going back to --

13 Q. Sorry, with regard to Chapter 4?

14 A. You want to start at Chapter 4.
15 Okay. It is just that the reference on page 19 is to
16 page 3-23. Page 3-23 refers to Chapter 3 and the tests
17 for Chapter 3 were back on page 12.

18 Relative to Chapter 4 we took such a
19 large sample where we had virtually 40 per cent of the
20 total universe and two-thirds of the forestry
21 employment that the statistical significance is there.

22 Q. So you are basing that conclusion on
23 the size of sample?

24 A. Yes.

25 Q. Okay. If we could go back to page

1 3-24, paragraph 4, I will just give you all a moment to
2 read that paragraph. Again, we are talking about what
3 is described as dependency on public funding and we see
4 two categories of public funding here, government
5 employment and government transfer payments. And I
6 have already discussed with you the question of
7 government employment and its, I will say, desirability
8 in terms of providing services in some communities.

9 Would you agree at least that that type
10 of government funding in a community is in a different
11 category than transfer payments? And what I am
12 suggesting is that the presence or proportions of
13 transfer payments indicate a different kind of
14 dependency than government employment?

15 A. Yes.

16 Q. And with regard to paragraph 4,
17 transfer payments, I take it your analysis did not
18 include such questions as the proportion of seniors in
19 the populations or other such demographic factors that
20 could vary in a community and affect the transfer
21 payments?

22 A. No.

23 Q. Again, that could affect the extent
24 to which this funding variable is at all attributable
25 to forestry or non-forestry occupations?

1 A. It is one factor. Transfer payments
2 are defined, of course, to include family allowances,
3 child tax credits, old age security, guaranteed income
4 supplements and so on and so on. There are a large
5 list, but old age or pension income is a portion
6 thereof and if there are very substantial differences
7 in those in receipt of such payments that would be a
8 factor, yes.

9 Q. Now, Mr. Watson, you have certainly
10 presented here a very comprehensive picture of incomes
11 in certain samples of northern Ontario communities, a
12 very large number of communities, and you have
13 certainly pointed to possible negative impacts on those
14 communities of forest industry shutdown.

15 You are aware; are you, that to my
16 knowledge at least there is not a party to these
17 proceedings that is advocating shutting down the forest
18 industry?

19 A. Well, Madam Chair, if I can go back
20 on the question. First of all, we did not take a
21 significant sample of municipalities in northern
22 Ontario, we took all -- it's not a sample, it's
23 universal.

24 Q. Yes.

25 A. In terms of shutting down forestry, I

1 don't think we spoke to shutting down forestry. I
2 think our concern was with the concern of the hearing;
3 that is, the way in which forestry management could
4 conceivable impact, whether it's at the margin or
5 deeper still on the industry.

6 I don't think we were looking for
7 anything as dramatic as a shutdown and I don't -- yes,
8 I understand there are not those advocating the same.

9 Q. You referred to the Town of Chapleau,
10 the Griffith mine closure.

11 A. That is Ear Falls.

12 Q. Excuse me Ear Falls, that's right.
13 What I am getting at, Mr. Watson, is: Isn't it the
14 case that although it is helpful to the Board to have a
15 clear picture of the economic nature of communities in
16 northern Ontario, this data does not really assist the
17 Board in answering the question of the extent to which
18 environmental regulation is necessary in the north.

19 In other words, you have given a lot of
20 data about the industry, but since no one here is
21 contesting that the industry is large and important to
22 northern Ontario, I am suggesting that it is of limited
23 value for the purposes of the Board's decision-making?

24 A. Well, the value of what I have done,
25 I hope, to the Board is in terms of providing a context

1 such that as the Board deliberates on particular
2 measures that should or should not be taken relative to
3 the industry and looks to the costs and the other
4 impacts in terms of the time required to put them in
5 place and whatever uncertainties they may introduce and
6 all the various effects that that could have on logging
7 and the other components of the industry, that the
8 Board might do so in the context of the communities
9 which are dependent upon the industry.

10 And really I think the main point is that
11 it is not just 8.9 per cent of the population of
12 northern Ontario. I hope what I have conveyed here is
13 two-thirds of the population of the north, in a very
14 real way, are impacted economically by the industry.
15 So it's just a background context in which to consider
16 the specific measures that the hearing relates to.

17 Q. So you are staying with that
18 two-thirds figure, even though such a large percentage
19 of the Category 3 communities have relatively low
20 levels of forestry concentration?

21 A. Well, I don't think we -- I don't
22 think, because your example was the Sault and Timmins,
23 they had 2 and 4 per cent, I don't think they should be
24 ignored, no.

25 I mean you might be -- you might perhaps

1 be less concerned about them than Category 2 and
2 certainly Category 1, but I would not ignore them. I
3 would not ignore 4 per cent of the economic base, you
4 lever that up to the multiplier effect and before you
5 know it you are close to 10 per.

6 MR. MARTEL: Could I ask you a question,
7 because if you lose 4 per cent of the jobs in Sault
8 Ste. Marie it really is not like losing 4 per cent in
9 Metropolitan Toronto because you do not have a place
10 for people to go--

11 MR. WATSON: Yes.

12 MR. MARTEL: --they have to leave the
13 community. That is why I asked the question yesterday
14 about what you do with respect to tourism and whether
15 it could fill a void if 4 per cent is suddenly let go,
16 or 3 per cent is suddenly let go.

17 There is simply no area that one can even
18 commute to work successfully in most of those northern
19 communities.

20 MR. WATSON: I think that's exactly the
21 point, sir, yes.

22 MS. SWENARCHUK: Q. And again, Mr.
23 Watson, you are not suggesting that there is any party
24 to this hearing that is calling for closing down any
25 part of the industry, such as for example -- so that in

1 any particular town the entire industry workforce would
2 lose its jobs?

3 MR. WATSON: A. Well, Madam Chair, no, I
4 am not...

5 Q. My problem with your report is that
6 it does look like an all or nothing situation, such as
7 Mr. Martel just identified, as though any changes in
8 environmental regulations are going to have these
9 devastating impacts on all these areas. And I simply
10 want to establish with you that that is not what your
11 report is saying?

12 A. No, I am not suggesting that any
13 change in environmental regulation is automatically bad
14 or going to result in the loss of employment or
15 foregoing capital expenditure. I am sure there are
16 many desirable changes in environmental regulations
17 that would not have those effects.

18 I am simply saying that when the Board is
19 considering those areas that quite clearly could have
20 those effects, as I say, either directly through costs
21 or indirectly through the creation of uncertainties and
22 extensive timing delays and complexity and so on, that
23 it simply consider this context at that time.

24 MR. COSMAN: Madam Chair, I think I made
25 it clear in my opening that that was the basis on which

1 this evidence was tendered; not to suggest that any
2 specific measure is going to have that effect, but the
3 Board must be aware and look at all measures to
4 determine what effect those measures might have.

5 MS. SWENARCHUK: Madam Chair, I was about
6 to change to a different subject area totally. If this
7 is a convenient time to break?

8 MADAM CHAIR: Yes. Let's break for lunch
9 now, and we are back at ten to two.

10 Excuse me, Ms. Swenarchuk, Mr. Martel
11 wants to know how far along you are in your
12 cross-examination?

13 MS. SWENARCHUK: Between a third and a
14 half.

15 ---Luncheon recess taken at 12:20 p.m.

16 ---On resuming at 1:50 p.m.

17 MADAM CHAIR: Please be seated.

18 MS. SWENARCHUK: Q. Mr. Ross, you have
19 indicated on page 15 -- we are looking now at the
20 Economic Profile of the Ontario Forest Industry. Page
21 15, in the first two paragraphs and on page 19, Table 3
22 , the figure of 172,000 jobs related to forestry in
23 Ontario.

24 Now, just looking at economics
25 theoretically a bit for a moment, would you agree that

1 even if the forest industry were totally shut down that
2 that number of jobs would not be eliminated, that to
3 make that assumption one would have to assume that all
4 of these employees cannot obtain any other employment?

5 MR. ROSS: A. I think the question, if I
6 might re-interpret it a little, is if 70 -- sorry,
7 whatever the...

8 Q. 172,000.

9 A. Yes. Are you asking me, if for some
10 reason 82,000 direct jobs were lost in the forest
11 industry, is it true that 172,000 jobs in total would
12 be lost in the Ontario economy? Is that the question?

13 Q. Yes.

14 A. Well, presumably the first half of
15 them would be lost. Perhaps those people would find
16 other employment, perhaps it would be of equivalent
17 quality in terms of income and stability or presumably
18 it probably wouldn't be.

19 The people who are supported by the
20 industry, the direct, indirect and induced employment;
21 in other words, the people who work for the suppliers,
22 the people who provide the needs of the employees,
23 presumably also a number of them would lose their jobs,
24 a number would find new jobs perhaps of a different
25 quality and some of them would do other things

1 entirely, would supply other people.

2 Q. Well, that's what I was coming to.

3 Would you agree, one can't assume that all the inputs
4 now used directly in producing forest products would
5 have no alternative uses in Ontario?

6 A. I agree.

7 Q. And one can't assume that the inputs
8 now used indirectly in producing goods and services
9 used by the forest industry could not have been used to
10 produce inputs for any other industry or for final
11 demand, given theoretically an absence of the forest
12 industry?

13 A. Perhaps some of them would have
14 difficulty finding other things to do, but lots of them
15 presumably would serve other uses.

16 Q. And similarly the income generated by
17 final expenditures on forest products or capital
18 expenditures in the industry might have been generated
19 by equivalent expenditures in some other sector of the
20 economy, again given an absence of the forest industry?

21 A. I guess the answer is conceivably
22 yes, recognizing though that we are talking about an
23 export oriented industry and presumably to maintain
24 Canada's purchasing power, if you will, on an
25 international front you would want to replace them with

1 something that was also an export oriented industry,
2 which I think makes it a more difficult proposition.

3 Another way to say this is: Even if the
4 industry were to shut down entirely through some stroke
5 of the pen or whatever, that is not to say that all the
6 people who work in it today would be forever
7 unemployed, presumably they would all be trying pretty
8 hard to find something else to do as they do in a mine
9 shutdown in Ear Falls or whatever, and presumably some
10 and perhaps many of them would find something else to
11 do.

12 They wouldn't necessarily like it as well
13 in the sense that it might not pay as well or it might
14 require dislocation of some of the sorts Mr. Watson was
15 talking about, but typically when people are left
16 without a job they don't just sit there and maintain
17 themselves in that state and they do something else,
18 which is also probably useful from the perspective of
19 the economy and from the perspective of their own
20 lives. The question is: Is it as useful.

21 Q. And similarly on the company end of
22 that, companies don't then just sit on all the capital
23 that they would have otherwise invested in
24 forestry-related expenditures, that capital would be
25 used in some other sector perhaps of the economy?

1 A. I would think that in some ways that
2 is more unlikely in the sense that this is a fixed
3 asset intensive business and the fixed assets are
4 sitting on the ground in northern Ontario and I think
5 by and large they are not very portable or even useful
6 anywhere except exactly where they are. I think
7 typically pulp and paper mills are pretty customized to
8 the specifics of the situation in which they operate.

9 So I would say in terms of the fixed
10 assets, which are a substantial part of the corporate
11 capital that is invested in the industry, I think that
12 would be essentially lost. It wouldn't have any
13 productive use except maybe scrap.

14 Q. Fixed assets, yes; other elements of
15 capital though presumably could be used otherwise?

16 A. Those that remained. To say it a
17 little bit differently, it's hard to imagine a scenario
18 in which the industry disappears without all the
19 companies in it going broke at the same time.

20 There is some problem in sort of talking
21 about hypothetical situations like this; I mean, it's
22 useful perhaps to illustrate the nature of the
23 analytical tools that are being used but it's hard to
24 imagine a realistic scenario in which the industry is
25 removed.

1 Q. Right and no one wants to. I am
2 simply talking about the question of whether all of its
3 contribution -- as I say, when we are talking about
4 analytical tools, whether all of its contribution could
5 only be made with the current structure of the
6 industry?

7 A. If I could restate that to say:
8 Would the resources that are currently employed in the
9 industry have no other use; the answer is no, they
10 would have another use. I strongly doubt it would be
11 anywhere near as productive a use.

12 Q. Now, could you look at page 24, Table
13 4 in that report. Now, you have called that the
14 Relative Financial Contribution made by the Ontario
15 Forest Industry and Governments. What is it exactly
16 that you are relating here, financial contribution to
17 what?

18 A. This Table 4 on page 24 is really
19 just drawing together the results of two previous
20 exhibits; one is Exhibit 7 which is opposite page 21,
21 and the other is Exhibit 8 which is opposite page 23.

22 Exhibit 7 is really looking at various
23 forms of tax and other revenue that are paid by the
24 industry to the federal/provincial governments, it
25 becomes the second row in Table 4; and Exhibit 8 is

1 really looking at expenditures by the industry and by
2 government on various forest management activities.

3 So as I was describing to Mr. Martel
4 yesterday, it's an attempt to recognize the nature of
5 some of the arrangements that exist between government
6 and the industry in terms of who pays whom and who does
7 what.

8 In other words, the industry takes on a
9 number of government responsibilities with respect to
10 forest management and are compensated for them by the
11 government and in turn the industry makes a number of
12 payments to governments. Some of them are specifically
13 related to the use of the resource and others are more
14 general tax revenues.

15 Q. And that \$287,000 figure there does
16 not represent an industry contribution to forest
17 management but industry contribution to general
18 government revenues; is that not right?

19 A. It's a combination of both, and those
20 are millions, \$287-million.

21 Q. Right. And if we were going to --
22 and given that that is a contribution to that whole
23 range of government needs, if we can put it that way,
24 surely the comparable government figure to that one is
25 not the \$260-million spent on forest management

1 activities but it would have to be a figure that would
2 encompass all government expenditures on that whole
3 wide range of purposes; social services, health,
4 education, subsidies to industry, et cetera?

5 A. I am not sure I agree with that.

6 Q. Well, the \$287-million spent or
7 generated by the industry is not specifically related
8 to forest management, that is my question. Is that not
9 correct?

10 A. It's not all specifically tied to the
11 resource is perhaps a better way to say it.

12 Q. Right. Whereas the only government
13 expenditures that you have included in the table are
14 those expenditures specifically related to the
15 resource; is that not right? You have only included
16 here as a government figure the forest management
17 activities contributions by government?

18 A. Yes.

19 Q. And compared those two figures, and
20 what I am suggesting is that they are not comparisons
21 that relate government expenditures on the same
22 activities for the same services; one is more limited
23 than the other?

24 A. Well, we have tried to make them
25 balanced. There is probably no perfect answer to the

1 question: How do you define this problem. The problem
2 tends to get expressed in pretty general terms like,
3 who pays what to whom.

4 And as we have tried to explain in the
5 report on pages 20 and 21, you can sort of think of
6 it -- I mean, you can define the question narrowly, you
7 can define it more and more broadly. We have tried to
8 define it reasonably narrowly, I would say.

9 Q. Well, isn't a much more direct
10 comparison the one on Exhibit 8 which compares
11 expenditures by government in the forest industry on
12 forest management activities in the area of the
13 undertaking?

14 A. The problem it seems to me with
15 putting Exhibit 8 in that context is that that is only
16 half of the equation, that is the arrangement that
17 governments have made in the sense they have delegated
18 their responsibilities for forest management to the
19 industry for reasons that sort of underlie the whole
20 philosophy of the FMA process, and said: And we will
21 advance you funds to cover most of those costs at the
22 same time we will charge you some resource specific
23 charges and we will also take whatever other revenues
24 you can supply us; in other words, whatever taxes are
25 available as a result of the use of the resource.

1 They are not tied to the resource,-but if -
2 the resource weren't there none of the profits would be
3 earned either. The issue then becomes: How do you
4 actually define what you mean by those revenues that
5 flow back to the government as a result of the use of
6 the resource. And we have defined it to include flows
7 from corporations, various forms of taxes paid by
8 corporations, and the personal income tax of the people
9 who actually work in the industry.

10 That is a narrower definition by the way
11 than Panel 17 provided. They actually used some of the
12 same data to try and address some of the same questions
13 and they included other forms of more indirect tax
14 revenue that presumably would not have been received by
15 the government in the absence of the industry, but was
16 less -- was further downstream, if you will, indirect
17 sales taxes as a result purchases made by people who
18 work in the industry.

19 Q. Let me ask you my original question
20 again. Table 4 is entitled: Relative Financial
21 Contribution. Let me ask you: relative financial
22 contribution to what?

23 A. To each other is really -- it's
24 intended to address the question really of how much
25 money sort of flows one way and how much money flows

1 the other way; not viewing the industry necessarily
2 just as corporate citizens--

3 Q. Right.

4 A. --but as people who are clearly
5 focused in the forest industry.

6 Q. So are you saying then that the
7 \$260-million figure public expenditure 83-84 and the
8 \$308-million public expenditure, those are payments to
9 the forest industry?

10 A. No.

11 Q. No.

12 A. But they include payments to the
13 forest industry. They are both -- and as you asked
14 that question I realized I have been unclear in my
15 previous answer. They are the expenditures by
16 governments on forest management activities.

17 Q. That's right.

18 A. That includes both expenditures on
19 their own account, if you will, including large
20 portions of the staff and operations of the Ministry of
21 Natural Resources. They also include payments made by
22 the government to the industry under FMA agreements,
23 for example.

24 Q. So then, again, if we are going to
25 compare the same figures in that table, isn't it really

1 just the first line of the table, the forest management
2 activities; those are the ones that are comparable? -

3 A. I think it's a question of deciding
4 what is the question you want the answer to. If the
5 question is: Of all the money that is spent on forest
6 management activities in Ontario how much of it is paid
7 by government and how much of it is not - which is sort
8 of the way you phrased the question - then the first
9 line is the answer or, alternatively, the exhibit that
10 is derived from is the answer which is Exhibit 8.

11 In other words, if the question you want
12 to answer is: What are -- Exhibit 8 that is opposite
13 page 23. If the question you want to answer is: What
14 are expenditures by government and by the Ontario
15 forest industry on forest management activities in the
16 area of the undertaking, then the answer is in Exhibit
17 8, and the answer is: In terms of who makes the
18 expenditures, it's primarily governments, although
19 partly using the private sector as their agent,
20 transferring funds to them.

21 Q. And then Table 4 is in fact not a
22 record of payments by one to the other, as I think you
23 indicated earlier, it's only a record of payments by
24 the industry to general revenues and by government for
25 forest management; isn't that what it comes down to?

1 A. Perhaps that's right, although I
2 don't know when industry gives money to government
3 whether for something tied to the resource like
4 stumpage charges or whether through corporate income
5 tax it has any choice but to give it to the general
6 revenue fund.

7 Q. Can we turn now please to the
8 Economic Impact Framework, please.

9 Now, I got a slightly different
10 understanding of this report based on your testimony
11 yesterday than I had from reading it and I just wanted
12 to clarify a few matters. I take it you don't have
13 experience in forest management operations yourself; is
14 that right?

15 A. I am certainly not a forester. I
16 have done a little work which I referred to in
17 connection with my CV yesterday, particularly in the
18 U.S. south assisting a major forest products producer
19 down there with some really business strategy issues
20 associated with their forest management, managed
21 plantations, but I am certainly not a technical person
22 at all in the area of forest management.

23 Q. Considering first the question of the
24 literature review that was done for this paper, do you
25 -- consider yourself qualified to evaluate that literature

1 critically with respect to assumptions made regarding
2 forest practices -- forest management practices in each
3 of the articles?

4 I will give you an example. If I were to
5 suggest to you that the Puttock article -- which is
6 referred to, Members of the Board --

7 MR. ROSS: On page 13.

8 MS. SWENARCHUK: Perhaps it's best if I
9 provide copies. This was provided to most of the
10 parties through the interrogatories, but we made some
11 extra copies this morning. I assume the parties have
12 it. (handed)

13 Can I give you an extra one later. I
14 think some of the parties don't have it, so I will
15 provide it.

16 MR. ROSS: You should give it to me just
17 to make sure we are all talking about the same Puttock
18 article.

19 MS. SWENARCHUK: Agreed. (handed)

20 MR. ROSS: Yes.

21 MADAM CHAIR: Are we making this an
22 exhibit, Ms. Swenarchuk?

23 MS. SWENARCHUK: I guess we will have to,
24 yes.

25 MADAM CHAIR: Exhibit 1059.

1 ---EXHIBIT NO. 1059: Copy of Puttock article.

2 MS. SWENARCHUK: Q. Well, Mr. Ross, Mr.
3 Puttock has made certain assumptions about harvesting
4 practices and their impacts on costs, and I was going
5 to review with you some of those assumptions. I won't
6 take your time if in fact you do not consider yourself
7 experienced enough in forestry operations to evaluate
8 the assumptions on which these costs were estimated.

9 MR. ROSS: A. Perhaps you could give me
10 an example of what you mean by an assumption and then
11 you could explain to me what you mean by evaluate, and
12 that would make it clearer I think as to whether these
13 are questions that would be within my competence or
14 not.

15 Q. As we are all aware Mr. Puttock has
16 reached certain conclusions about costs engendered by
17 establishment of forest reserves and I would like to
18 suggest to you that there are some problems with the
19 cost analysis and one of them, for example, is that he
20 has ignored probable changes in the schedule of
21 harvesting that would result from the creation of these
22 reserves, a change that would lead to changes in the
23 spacial distribution of the harvest as well over time
24 so as to affect the length of time and spacial
25 distribution in which the harvest would be completed,

1 in fact, with these reserves in place.

2 Now, would you consider yourself
3 qualified to comment on that assumption?

4 A. I think I probably know what you are
5 driving at, but perhaps if you ask the question more
6 specifically I would comment more specifically.

7 Q. Well, I guess I am putting to you
8 that there is a problem in the article that is
9 reflected in the cost figures that he arrives at, a
10 number of assumptions made with respect to the costing
11 of reserves, and one of them is to ignore that the
12 creation of reserves will lead usually to changes in
13 the schedule and spacial distribution of the harvest;
14 the harvest may well occur over a longer period of
15 time, the road networks for example will then be used
16 over a longer period of time, and the proper costing of
17 impact would, amongst other things, apply a discount
18 rate to the roads given their longer period of use.

19 A. Well, let me try and respond. I
20 think what Puttock has done has assumed that if a
21 reserve is put in place the wood will not be cut, I
22 mean that's the analytical underpinning of his
23 analysis.

24 That is not to say that it might not get
25 cut at some time in the future, but it's beyond the

1 planning-horizon, if you will, of the study that he
2 sets out. So he's really saying if the reserves are in
3 place -- if reserves are put in place, given a certain
4 geographic area, less wood will be harvested from that
5 area than would otherwise be the case.

6 It's a bit of a timeless analysis in that
7 sense. I don't think there is anything wrong with
8 that, it's one way of approaching the problem. It's
9 essentially the same way that we have approached the
10 Abitibi-Price case study.

11 It's different from the way that the
12 Superior case study is structured where there is a
13 deliberate approach that says: We will cut half of it
14 now, we will cut half of it in 20 years, let's look at
15 the whole lifetime.

16 I think these are just different
17 analytical ways of trying to address the issue. I
18 don't think they are necessarily right or wrong, they
19 all have strengths and weaknesses.

20 Q. Right. I think I can agree with what
21 you said, but my question has to do rather with not
22 wood in the reserves but the likelihood or probability
23 that the allocated harvest itself outside of those
24 reserves will be done in a different fashion because of
25 the creation of reserves.

1 I take it you are probably not in a
2 position to comment on that forest operation decision?

3 A. Well, if the issue is that you are
4 trying to run a mill that needs so much wood per year
5 to operate and you are going to get less from one
6 place, does that mean you are going to have to get more
7 from some place else, then I don't think you have to be
8 a specialist in forestry to agree that that is the
9 case. And, in that sense, the implications of putting
10 reserves in a certain geographic area and reducing the
11 amount of wood that will come from it means if you are
12 going to keep the same throughput at the mill you have
13 got to get more wood from somewhere else.

14 If that is what you mean by changes in
15 the spacial allocation of the harvest and that sort of
16 thing, then I think that that -- you know, if one makes
17 the assumption that you are trying to feed a mill at a
18 certain level of volume, then I think that follows.

19 Q. Okay. And we will come to the cost
20 implications of that another time. I suggest that he
21 is also assuming, and that it is an unreasonable
22 assumption, that all the wood which is now going to be
23 tied up in mostly shoreline reserves according to his
24 example would be harvestable in the first place; and,
25 secondly, harvestable at really the same cost as other

1 wood not in these locations.

2 And my suggestion is that that is a
3 questionable assumption given that frequently operating
4 conditions in shoreline areas and rugged terrain, which
5 is referred to first of all, make the operability more
6 difficult and frequently the quality of wood available
7 of a lower quality.

8 A. I understand what you are saying and
9 I presume that is -- that occurs in some cases and not
10 in others. One of the interesting aspects of the
11 Puttock study and it's different both from the other
12 literature we have reviewed and from the case studies
13 we have done, the particular case study area they
14 worked in, the terrain was apparently so difficult that
15 the costs of building additional roads to get to the
16 reserves would have been higher on a per cubic metre
17 basis than the existing road network.

18 So it's a peculiarity, if you will, of
19 the results of his study or of a particular area he
20 looked at, that the companies actually saving money in
21 effect in some ways by not having to extract certain
22 reserves, but of all the studies I have reviewed this
23 is the only one that has that feature, and I have
24 discussed it with various people in the industry and I
25 think their attitude is one of some scepticism.

1 Q. And your conclusion on that point
2 though is based on discussions with other people.
3 Again in coming back to your own particular experience
4 with forestry, wouldn't lead you to make a conclusion
5 one way or the other; is that right?

6 A. That's true, yes.

7 Q. Okay. And with regard to the -- and
8 just to follow that up then, if an incorrect assumption
9 has been made that the wood in these reserve areas is
10 as valuable and easily operable as in other areas, then
11 the cost of the loss of the wood would be
12 overestimated; would it not?

13 A. If he has assumed that he could -- or
14 that wood could be extracted at a certain cost and it
15 turns out that it would have cost more to extract it,
16 yes, he would have overestimated.

17 Q. Or if in fact he had not been able to
18 extract some of it because of the operating conditions?

19 A. Yes. The two cases he's comparing
20 really are the assumption that the wood is all
21 available to be extracted at the same harvesting cost,
22 apart from road construction in the no reserve case.

23 Q. And would you agree also that he has
24 not provided any detailed analysis of the topography of
25 the area affected so as to allow us to determine

1 whether in fact it is - and the term that is used is -
2 representative of operations in Ontario? This is at
3 page 85 of the article and it's in the lefthand column,
4 second full paragraph:

5 "A site was selected on the basis of two
6 factors:

7 (a) it was representative of
8 much of the stand and topographic
9 conditions experienced in harvesting
10 operations in Ontario; and,
11 (b) it contained the kinds of forest
12 reserves routinely established."

13 A. And what is the question?

14 Q. Well, frankly I was going to ask you
15 this about the Abitibi study as well. Given the
16 diversity of topography and conditions in northern
17 Ontario, my question would be, first of all: What is a
18 representative area?

19 I suggest there would be quite a large
20 number of factors one would have to look at in order to
21 determine whether in fact there is any area that can be
22 classed as representative.

23 But coming back to this study, would you
24 agree with me that he has not set out in any detail
25 what it is about this piece of land that would suggest

1 that it's representative?

2 A. He has described it to some extent in
3 the subsequent paragraph. I have accepted the fact
4 that he is the one who has made the judgment as to
5 whether it's representative or not, I certainly don't
6 know if it is or not.

7 To come back to another part of your
8 question, I don't think one can really define what
9 representative means in the sense of saying that:
10 Here's a site that represents the whole range of
11 situations and operations in the area of the
12 undertaking. I think, in a sense, if you interpret it
13 really precisely it doesn't mean anything at all, it's
14 impossible for there to be such a thing.

15 That is why when I was describing the
16 Abitibi situation yesterday I was saying that I think
17 really the way to think about it is that it's not
18 unrepresentative, it's not an outlier, it's not an
19 extreme, it's not far more rugged than most of the
20 areas of operations, it's not far more filled with
21 lakes or other waterbodies, it's not far less filled,
22 it's not -- while it's really I think impossible in a
23 sense to define exactly what representative means, it's
24 probably not impossible to define what unrepresentative
25 means.

1 I think we know what an outlier is even
2 if we can't describe what's a typical site, and I think
3 that is certainly the way in which we use the word in
4 our study and perhaps he's doing the same thing here.

5 Q. Let me just show you a document that
6 the Board has already seen filed, it's an environmental
7 checklist filed as Exhibit 885. We produced some more
8 copies of it.

9 MR. HUFF: (handed)

10 MS. SWENARCHUK: And if you look at the
11 bottom of the first page of the checklist and the top
12 of the next I think we see some of the criteria that I
13 suggest we would have to know in order to know whether
14 any particular area being looked at was representative.
15 And, of course, we would have to have some assessment
16 of the entire area of the undertaking in order to even
17 conclude that.

18 Q. Isn't it the case, Mr. Ross, that
19 when we are talking about an area as vast as this, it's
20 probably impossible to decide that any particular piece
21 of land is representative of the area of the
22 undertaking?

23 MR. ROSS: A. I think I said that a
24 moment ago.

25 Q. Okay.

1 A. But I think the question really is:
2 Does one receive misleading information or does one get
3 a misleading sense of the situation by looking at a
4 particular area and studying it. I think that's really
5 the test, that is the question we want to know the
6 answer to.

7 And I think what Puttock is arguing is
8 that he doesn't think that that is the case with the
9 areas studied; in other words, he thinks it was worth
10 doing the study, you learn something about the
11 environment not just about the particular situation he
12 studied, that is. Obviously one can argue with that,
13 but I think that's the point of view he's putting
14 forward.

15 I think we are putting forward the same
16 view about the Abitibi-Price case study, that it's not
17 such an unusual situation that you are really not
18 learning anything about northern Ontario as a whole by
19 exploring it.

20 Q. But it would take a great leap from
21 that; wouldn't it, to conclude that the kind of cost
22 figures that were associated with that particular study
23 are generalizable to the entire area of the
24 undertaking?

25 A. It would take a great leap. I am not

1 sure that I would recommend that somebody would take
2 that leap.

3 Q. The leap to that \$20-million figure.

4 A. No. I think the way we figured it,
5 that if they were generalizable this is what the result
6 would be. But if one were seriously interested in
7 knowing what the total financial implications of
8 applying those two scenarios were, those two reserve
9 scenarios I am referring to for Ontario as a whole or
10 for the area of the undertaking as a whole, presumably
11 one would want to look at more than one particular case
12 study.

13 Q. Yes. And it would take quite a
14 number of case studies; wouldn't it, Mr. Ross?

15 A. Well, I think if one wanted a number
16 that one had a lot of confidence in, I mean, to be
17 comfortable that it was 20 and not 18 and not 22, it
18 would probably take quite a careful research strategy,
19 if you will, to cover off the various areas in
20 sufficient depth and breadth.

21 Q. Now, perhaps we could move to the
22 Abitibi-Price study now which begins at about page 20
23 of the economic impact framework. I think we have
24 dealt with the question of the "representativeness of
25 the area".

1 A. Well, could I perhaps make it clear
2 or re-emphasize perhaps that this was an area in which,
3 as I've said, it's probably impossible to define
4 precisely what representative means, but I think it is
5 possible to ask experienced people: Is this
6 unrepresentative, is it so unusual that you can't learn
7 anything from the rest of province from doing the work,
8 and I explained yesterday the process we went through
9 in terms of talking both to Abitibi-Price foresters and
10 also to other people in the OFIA and OLMA and this
11 includes Abitibi-Price people who are responsible for
12 operations in different parts of the province, and
13 their judgment in all cases was -- I think they would
14 use the word representative, but I would prefer to say
15 it is not unrepresentative.

16 Q. Now, at page 19 and 20 you discuss
17 the use of the GIS in this case study and I think you
18 indicate in the middle of page 20 that this was perhaps
19 the only area in the province on which a GIS analysis
20 could have been used for a case study; is that right?

21 A. Certainly at the time we had
22 difficulty identifying other areas that were as
23 advanced in their use of the GIS system, so we were
24 limited in that sense.

25 Q. And you indicate in the bottom

1 paragraph of this page that

2 "...the primary weakness of the GIS
3 representation in this case is that it
4 does not contain either topographical
5 data (necessary to deal with certain
6 concerns of cottagers and the tourism
7 industry), or a classification system for
8 warm water and cold water lakes."

9 Now, can I just clarify that for the
10 moment. Are you saying there is a category of
11 topographical data that was not involved in the
12 analysis or that the GIS system contained no
13 topographical data?

14 A. At the time we did the case study for
15 the case study area the GIS didn't have topographical
16 data by which I mean slopes and the individual
17 waterbodies were not classified as warm water or cold
18 water lakes.

19 The reason this matters is because some
20 of the guidelines are expressed and guidelines can vary
21 depending on the slopes around waterbodies and other
22 slopes depending on whether lakes are cold water or
23 warm water.

24 Q. Now, did the GIS -- I take it then
25 the GIS did not include topographical data either on

1 the land that was to be harvested; is that correct?

2 A. Yes, the whole operating plan area,
3 topographical data was not in the system for the case
4 study area. We discuss further on in this chapter what
5 the implications of that are and how we have dealt with
6 it in the analysis.

7 Q. Now, I think you indicated in
8 testimony yesterday that the reserve scenarios that
9 form the basis of the study were developed by the
10 Abitibi-Price personnel?

11 A. Certainly the details were. I think
12 we knew conceptually what types of scenarios would be
13 useful to do the analysis, but how they would be
14 implemented, which is really the details on Exhibit 3
15 and Exhibit 4 which all follow page 22 --

16 Q. Right.

17 A. Those were developed.

18 Q. Okay.

19 A. By Abitibi-Price staff.

20 Q. Did you study the guidelines
21 yourself, Mr. Ross?

22 A. I certainly didn't study them. I
23 have reviewed them. I'm certainly no expert on them.

24 Q. Okay. And which guidelines did you
25 review?

1 A. I have reviewed some of the tourism
2 guidelines, some of Moose Habitat Guidelines and some
3 of the fish guidelines.

4 Q. Okay.

5 A. I get a bit confused about drafts and
6 just which draft it is I have reviewed sometimes.

7 Q. So do we all. So for the
8 characterization then of particularly inflexible
9 reserves, we are relying on the opinions of the
10 Abitibi-Price personnel that put it together, this was
11 not something you did personally?

12 A. That's correct.

13 MS. SWENARCHUK: And you will recall that
14 we asked an interrogatory with respect to this
15 question, Madam Chair. It's question 5, the first page
16 of the interrogatory pamphlet that I passed out and we
17 asked for definition of inflexible reserves and
18 inflexible application of the new timber management
19 guidelines and received the definition that you can
20 read there.

21 "A hypothetical scenario in which the new
22 timber management guidelines were
23 interpreted literally as a set of rules
24 or mandatory requirement applied in a
25 rigid and mechanistic fashion. In this

1 scenario the guidelines would be applied
2 as rules with no discretion and no
3 allowance for extenuating circumstances."
4 So this is really a worst-case scenario
5 from the industry perspective; is it not?

6 A. Oh, I don't know. I can't speak for
7 the industry in what they view as worst-cases. I think
8 it's intended to be what it says it is, which is an
9 example of an inflexible application of the existing
10 guidelines so that we can test the implications both --
11 I will return to the objectives of the study. So we
12 would have a scenario that we could use to analyse, to
13 test the methodology, if you will, and also presumably
14 a scenario that's worth knowing the answer about so
15 that we could consider some magnitudes as well.

16 MR. MARTEL: Can you imagine one worse
17 than this definition, though, in terms of no
18 flexibility, no -- I mean, this has to be the toughest
19 of tough.

20 MR. ROSS: I think one could imagine more
21 stringent guidelines than exist here.

22 MR. MARTEL: It's the application of
23 them, though. You can't divert under any circumstance
24 from this specific reserve, it is there and you follow
25 it regardless of the expertise of the people in the

1 field or what they discover when they visit, it just
2 doesn't matter. I am just asking if you can find one
3 worse.

4 MR. ROSS: Well, I think one worse, if
5 you will -- worse means one that--

6 MR. MARTEL: More regressive than this.

7 MR. ROSS: --leads to greater withdrawals
8 of timber, is one which had a different prescription
9 with respect to moose habitat, for example, that took
10 the view that it was necessary to have even smaller
11 clearcuts or larger uncut areas, which is to say there
12 is a distinction between -- let me try that again.

13 These are the existing guidelines
14 inflexibly applied. I'm sure there are worst-case
15 scenarios with respect to the guidelines whether
16 flexibly applied or not and that's the only distinction
17 I'm going to make.

18 MS. SWENARCHUK: Q. Would you agree then
19 that the interpretation that was applied by the Abitibi
20 people here would amount to a worst-case scenario
21 implementation of the current guideline, or are you not
22 in a position to answer that?

23 MR. ROSS: A. It is the worst-case --
24 the word worst-case that I'm reacting to a little bit.

25 Q. Okay. An extreme case.

1 A. Well, it's as extreme as one can get
2 in the context of the existing guidelines.

3 Q. Okay.

4 A. In the sense that they are
5 interpreted as rules rather than as guidelines.

6 Q. So, for example, we see in Exhibit 4,
7 which is the document that records the inflexible
8 application of guidelines, no selection harvesting, no
9 use of harvesting as an option around lakes other than
10 trout lakes; is that not correct?

11 A. Maybe you could direct me a little
12 more.

13 Q. Yes. The other lakes options are the
14 second box, No. 2?

15 A. Yes.

16 Q. And on the right we see no harvesting
17 which is really only an option, but these foresters
18 would choose that as the necessary option and similarly
19 No. 6 with regard to aquatic feeding areas, an option
20 does include some selection harvesting but they are
21 saying, you know, we are going to go with no selection
22 harvesting?

23 A. Yes. Now we are talking about
24 options within the reserves?

25 Q. Right.

1 A. Or within the areas of concern.

2 Q. So these assumptions then went into
3 the calculation of the reserve costs, let's say
4 worst-case scenario under the current guidelines, and I
5 think you have indicated yourself on - is it page 22 -
6 that the cost of the reserves tend to be overestimated
7 in the study?

8 A. Well, maybe I could go back to the
9 first part of your question. The guidelines in Exhibit
10 4 were what were used to implement the inflexible
11 reserve scenario and that in turn led to some cost
12 estimates, so I think the answer to that is yes.

13 In addition, as you are referring to and
14 I think you are citing the last paragraph on page 22,
15 methodologically we had to deal with the problem that
16 we didn't have topographical data, we didn't know which
17 lakes were warm water and which were cold water.

18 The way that was implemented was to
19 assume the worse; i.e., to assume that all lakeshores
20 are steep and to assume that all lakes are cold water
21 lakes. To the extent that those are not true, then we
22 will have overestimated the size of the reserves that
23 would be required in that scenario.

24 I also point out the last couple of
25 sentences in that paragraph and maybe I will repeat

1 them:

2 "It is a judgment of the foresters at
3 Abitibi-Price that in actual operational
4 planning some of these reserves might be
5 avoided. However, they note that this
6 particular operating area is heavily used
7 by cottagers and tourists, so that they
8 anticipate that there would be heavy
9 pressures for extensive reserves", which
10 is to say in my mind that yes, probably we have been
11 conservative in the sense of overestimating in that
12 way, but for the reasons that I've just outlined
13 perhaps not a lot.

14 Q. Of course since we don't have access
15 to any information about the actual topography of the
16 area, we are here in this room not in a position to
17 make any assessment about whether that is in fact
18 conservative or not, we are relying on the opinions of
19 the Abitibi people?

20 A. Well, I drove over and it's clear
21 that as least some of the lakeshores were pretty steep,
22 but the gist of what you are saying is correct.

23 Q. All right.

24 A. We don't have the topographical data
25 here.

1 Q. And it is also an assumption in the
2 costing here, is it not, as I discussed with the
3 Puttock article, the assumption is that all the timber
4 in the reserves if not subject to these guidelines
5 would have been harvestable and at the same cost as the
6 timber being harvested in other areas?

7 A. That is the assumption, harvestable
8 and at the same harvesting costs except for road costs
9 as the rest of the timber in the case study.

10 I was a little concerned about that
11 assumption for the same sorts of reasons you are
12 perhaps and I explored it in some detail with the
13 Abitibi-Price foresters and in their view they thought
14 it was a reasonable assumption. They didn't think this
15 was particularly inaccessible wood in their reserves
16 and they thought it was an appropriate assumption in
17 this case.

18 MR. MARTEL: Is the information available
19 now with respect to the topographical information and
20 so on to determine if you were out in your estimates?
21 Could one go back, is the information available, the
22 GIS to do that sort of work?

23 MR. ROSS: The question is, in this
24 particular area of operation have they put this extra
25 data is.

1 MR. MARTEL: Yes.

2 MR. ROSS: The answer is I don't know.

3 MR. COSMAN: I am advised not, Mr.

4 Martel.

5 MR. MARTEL: Okay, thank you.

6 MR. COSMAN: Not yet anyway.

7 MR. ROSS: It's clear, though, that
8 the -- I mean, the reason for having a GIS system is
9 because it can deal with these types of issues and it
10 just becomes an implementation problem as to where the
11 priorities lie.

12 MS. SWENARCHUK: Q. Now, at page 23, Mr.
13 Ross, you've provided your summary of distribution of
14 timber volume and reserve impacts and then you compare
15 that on page 24 to the losses that were tabulated in
16 the Ecological Services for Planning Study and we have
17 that here. We obtained it through an interrogatory and
18 I would just like to distribute it now.

19 Do you have that Mr. Ross?

20 A. Yes, I do.

21 MR. HUFF: (handed)

22 MADAM CHAIR: Exhibit 1060.

23 ---EXHIBIT NO. 1060: Answer to interrogatory re
24 Ecological Services for Planning
Study.

25 MS. SWENARCHUK: Q. Now, I only want to

1 refer you at this time, Mr. Ross, to the harvesting
2 questionnaire summary of zone-outs. The first column
3 under which we see all the yes and no's, this survey is
4 a survey of loss of productive land, is it not, by area
5 not by volume?

6 MR. ROSS: A. I believe so.

7 Q. All right. And is it your position
8 that area losses are directly comparable to volume
9 losses?

10 A. No, although I think it's probably
11 not a bad first approximation.

12 Q. Well, we've heard quite a lot of
13 evidence in this hearing about the problems relating to
14 or arriving from the difference between area and volume
15 regulation in Ontario. I take it you haven't had
16 reason to follow all those debates?

17 A. That's correct.

18 Q. All right. But certainly you would
19 agree with me that volume losses are not directly
20 comparable to area losses?

21 A. Well, I think -- I'd prefer to
22 restate it the way I said it. There are reasons why
23 removing "x" per cent of the area of allocated timber
24 is not necessarily the same as removing "x" per cent of
25 the volume, but I think it's probably a pretty good

1 first approximation.

2 Q. First approximation of what?

3 A. When one is at the level of timber --
4 of allocations and then removing certain allocations
5 through the use of reserves. I think land area is
6 probably not a bad first approximation to the volume
7 losses that will be achieved.

8 Certainly in the Abitibi-Price case
9 study, for example, the land areas removed are not very
10 different in proportional terms from the volume lost;
11 however, I'm not saying that that means that --

12 Q. Have you tabulated the land areas?

13 A. I did. I haven't got it in the
14 report, though.

15 Q. I would appreciate receiving that.

16 A. Okay. I will have to dig it up.

17 Q. Moving on then to the road cost
18 implications. Would you agree with this statement, Mr.
19 Ross, that:

20 "Prior to the 1980s the industry-built
21 roads were intended primarily to permit
22 wood extraction, but road construction
23 today also takes into account the
24 requirements of both harvesting and
25 renewal activities."

1 A. I think, as far as I understand it,
2 that's a reasonable statement.

3 Q. All right. Now, when we look at
4 costing roads -- well, let me step back. Do you know
5 if the Camp 11 area of the Abitibi study was accessed
6 recently for harvest?

7 A. Yes, the case study area is part of
8 the five year operating plan and is partially -- or at
9 least at the time of the case study was partially
10 harvested.

11 Q. And do you know over what time period
12 the road costs were amortized?

13 A. Which road costs?

14 Q. The road costs associated with
15 harvesting that area.

16 A. In our study?

17 Q. Yes.

18 A. Or by Abitibi-Price?

19 Q. Both.

20 A. You're asking -- well, let me make
21 sure. Are you asking me how Abitibi-Price does its
22 accounting or are you asking me how we did the analysis
23 in the the study?

24 Q. I am actually interested in both.

25 A. Well, I probably know a lot more

1 about the latter than the former. What we have done in
2 the study is essentially treat the roads on a cash
3 basis in the sense that we looked at road costs for the
4 three-year period and we looked at the wood that came
5 out in the same three-year period.

6 Q. Can I just ask a question then. I
7 take it then that you did not take into account the
8 future use of those roads, for example, for
9 regeneration activities?

10 A. We did not allocate part of the cost
11 that was incurred in those years to regeneration
12 activities.

13 Q. Right.

14 A. I might just expand. I'm not sure
15 that in general one would match road costs and
16 harvesting in a given time period. For example, part
17 of the issue that underlies the Midway case study is
18 that circumstances are really requiring the company to
19 spend money on roads that will serve them for a
20 reasonable period of time, but they are not going to be
21 able to generate much cash in the meantime in terms of
22 accessing timber with those roads. So it puts them in
23 a financial problem.

24 I discussed this issue in some detail
25 with the people at Abitibi-Price as to whether we were

1 risking some kind of mismatch of timing; in other
2 words, were the roads that were built in that time
3 period the roads that were actually required to harvest
4 the timber in the same time period, and despite a good
5 deal of poking and prodding by me on the subject it was
6 their view that that was the case and this was the
7 appropriate way to deal with this case study. But you
8 would want to look at that on a case-by-case basis.

9 Q. You are aware that primary and
10 secondary roads are both built to be used for more than
11 the three-year time period?

12 A. Yes.

13 Q. And I believe also in the costing of
14 the roads - and this is in reply to an interrogatory as
15 well - you included in the cost the maintenance over a
16 certain period of time?

17 A. Perhaps you can point me to the
18 interrogatory.

19 Q. Yes, this is our question No. 10.

20 A. Yes.

21 Q. In Exhibit 1057.

22 A. Yes.

23 Q. Now, were those road maintenance
24 costs only for the three-year period as well?

25 A. Yes.

1 Q. All right. So is it your position
2 then that given that regeneration activities, for
3 example, may extend over a much longer time than just
4 the actual harvest, is it your position that it is
5 appropriate that we look at road costs being amortized
6 only over the short period of a harvest?

7 A. Well, I guess the question is how
8 does one view this from the company's perspective
9 because they are the people who are bearing the costs.
10 And from their perspective they have to capture
11 whatever costs are spent on roads in the value of the
12 timber which is harvested, not necessarily on a
13 day-by-day or week-by-week basis, but in the end, from
14 the perspective of someone in the forest industry,
15 roads are an investment that one makes in order to get
16 timber to the mill.

17 In that sense, it's the wood that comes
18 to the mill that ultimately has to bear the cost of the
19 road and we have tried to match the road costs to the
20 wood volumes. So that's not to say that from the
21 perspective of -- perhaps of the province, which is
22 making an investment in the roads, that they don't see
23 themselves making a longer term investment and I think
24 the company see themselves making a longer term
25 investment, too. But in the end they have to recover

1 road costs through wood volumes and it is an attempt to
2 match wood volumes and road costs to get some kind of
3 cost per cubic metre which is the necessary component
4 of this study that led us to go about it the way we
5 have gone about it.

6 Q. And so do I understand you then that
7 the company does not expect to use this road structure
8 to access any further wood in the future?

9 A. No, not necessarily, but by the same
10 token it also used roads that it built before this
11 period to access the timber in the case study area as
12 well. In other words, we're trying to -- certainly
13 there had been investments made in access over a long
14 period of time and I think in that part of the country
15 even the main -- the north/south highways are
16 originally timber access roads.

17 We were not able to go back and
18 reconstruct the whole financial history of investments
19 in roads and we have instead used an approximation
20 which this technique is; in other words, we really said
21 how much did you spend on roads in the last few years,
22 how much had you harvest in the last few years, are
23 those relationships out of whack, are those
24 representative for all expenditures, are they
25 representative of harvest values.

1 If they are, then you can feel
2 comfortable matching the two of them even though one
3 hasn't necessarily done the accounting in the way that
4 would satisfy a stringent accountant.

5 I think from the perspective of the
6 economical analysis we have got the kind of numbers we
7 want, though.

8 Q. Okay. Let's look at the planning
9 costs then which you begin to discuss on page 27 and
10 detailed for us in the interrogatory which has already
11 been filed by Mr. Cosman and appears again in the
12 package that we have filed, 1057, it is question No.
13 11.

14 I will just give the Board a moment to
15 re-examine it.

16 Now, my amaturish arithematic tells me
17 that 60 per cent of these additional costs had to do
18 with -- approximately, had to do with the operation of
19 the GIS?

20 A. Yes.

21 Q. Can you tell us what proportion of
22 that was depreciation and what was operating costs of
23 the 15,000?

24 A. I don't believe I can.

25 Q. All right.

1 A. I don't think I have the data.

2 Q. Now, isn't it correct that as this is
3 the only area of the province which was available for a
4 GIS planning exercise at this time, that cost is
5 clearly unrepresentative of the province as a whole?

6 A. Well, I guess what I would say is
7 that presumably the GIS system does things that people
8 would otherwise have to do; in other words, to some
9 extent one is substituting the data and the computing
10 power for more tedious, if you will, hand calculations.

11 Presumably, as well, the company has
12 invested in the GIS because it thinks it is going to
13 have productivity enhancement as a result of doing so;
14 in other words, it's more effective to use the GIS than
15 it is to have people do the work by hand. So it is
16 clear that the split of costs must be unrepresentative
17 of the province as a whole.

18 I have no idea whether the total cost is
19 unrepresentative and I guess my question is, if it's
20 higher than the cost of doing it by hand, then why did
21 they invest in the GIS, but I can't prove it.

22 MS. SWENARCHUK: What time did you want
23 to break this afternoon?

24 MADAM CHAIR: How much longer will you
25 be?

1 MS. SWENARCHUK: Perhaps up to an hour.
2 I'm not sure.

3 MADAM CHAIR: Did we say we are scoping
4 at five tonight?

5 MS. SWENARCHUK: Yes.

6 MADAM CHAIR: Is there anyone here who
7 has to return this evening -- or who isn't here now
8 that we should be expecting?

9 MR. FREIDIN: NAN I think are going to
10 cross-examine on three, they are the only party...

11 MADAM CHAIR: Well, they weren't sure
12 about that. They were depending on the interrogatory
13 responses.

14 MS. SWENARCHUK: Mr. Lindgren will be
15 coming up for us at five.

16 MR. COSMAN: Mr. Cassidy for us but I can
17 call him to come earlier. I certainly don't want us to
18 lose any more time.

19 MADAM CHAIR: Why don't we take a short
20 break now and come back and then hopefully go through
21 with the scoping at the end.

22 ---Recess taken at 3:05 p.m.

23 ---On resuming at 3:30 p.m.

24 MADAM CHAIR: Please be seated.

25 MR. ROSS: Madam Chair, I was thinking

1 over the break about one aspect of my testimony and I
2 wondered whether I had made something clear or to say
3 it the other way around, I was afraid maybe I hadn't.
4 I wonder if I could clarify something with respect to
5 this issue of matching road costs and wood costs.

6 That analysis was done at the level of
7 Camp 11 as a whole, not at the level of the case study
8 area, so we are really looking at the average road cost
9 per cubic metre of wood that came out of Camp 11 in
10 that three-year period.

11 I may have mistakingly given the
12 impression that we are talking about wood coming only
13 out of the case study area, but that's an average road
14 cost per cubic metre of wood for Camp 11 as a whole.
15 All the matching, et cetera, was done in that context.

16 MS. SWENARCHUK: Q. I think I will leave
17 that curious piece of information.

18 Looking at the Midway lumber study, Mr.
19 Ross, you will recall that you received from us an
20 interrogatory - and this is question No. 13 in Exhibit
21 1057 - with regard again to the degree to which this
22 could be called a representative area, and I won't go
23 through that argument again, but then the other
24 question of: What, if any, environmental factors were
25 involved in the allocations, and the reply, it was

1 with respect to both the boreal areas and the hardwood
2 areas, is that:

3 "It appears that the primary
4 environmental factor involved in this
5 allocation is moose management.

6 Now, that's rather unclear wording.

7 Would you be a little more specific about exactly why
8 these allocations are I guess in Midway's opinion
9 unusually scattered?

10 MR. ROSS: A. Are you asking me what
11 evidence do they have that they are scattered, or are
12 you asking me why they think the Ministry has allocated
13 the wood the way they have?

14 Q. Well, is it moose management? Is
15 that the reason in their views, the total reason for
16 why this scattered nature of the allocations?

17 A. I'm not sure it's the total reason.
18 I think in Midway's view the Ministry has been -- has
19 put a heavy weight on matters of moose management as it
20 has to determine the wood allocations.

21 Just by way of explanation. Midway
22 operates on a Crown management unit so that the
23 planning is basically done by MNR. In that sense,
24 perhaps Midway has to interpret what the motivation is
25 sometimes behind the specific plans that are developed;

1 that is not to say that there aren't discussions, et
2 cetera, but it's not as if they have the same kind of
3 input into the planning process as Abitibi-Price does
4 on an FMA.

5 Q. Should we conclude from that that if
6 this were an FMA administered by Midway fewer of these
7 reserves would have been created?

8 A. I don't know. To say that a little
9 bit differently, that's a large leap. To say it
10 another way, I don't think Midway is of the scale of
11 operation that would probably be operating FMAs.
12 Midway is a small to medium size family-owned business.

13 Q. All right. So I think you said in
14 response to my question that moose management is not
15 the only reason for these scattered allocations. Do
16 you have any information about what other reasons there
17 are?

18 A. I don't know. I don't know the basis
19 of MNR's allocation. I want to come back, if I might,
20 to something you said a moment ago. We are talking not
21 necessarily about reserves in the Midway case study, or
22 perhaps I can say that differently.

23 The issue in Abitibi is that a certain
24 land area is allocated to Abitibi and then certain
25 reserves are taken out of that allocation. In Midway's

1 case, the allocations themselves are quite scattered
2 so, in effect, what's being said is, you allocated a
3 block of wood here, you allocated a block of wood
4 there.

5 There is still the issue of whether
6 within those allocations reserves are necessary, but I
7 think the circumstance that has led to the higher road
8 costs in the Midway case study is the really geographic
9 distribution of the allocations of wood as much as it
10 is, or perhaps more than it is reserves within
11 particular allocations.

12 Q. Yes, I appreciate your correcting
13 that, that's my error. I was in fact referring to the
14 scattered nature of the allocations.

15 And just in summary then, you are not
16 able to identify for us any other reasons for the
17 scattered nature, other than the concentration on moose
18 management in the area?

19 A. I could speculate, but I haven't
20 spoken to MNR and I haven't quizzed Midway on their
21 views either.

22 Q. Now, on page 29 you describe
23 something about this case study area. And again with
24 regard to the representativeness of costs, I take it
25 the costs that we are looking at here are only for a

1 . few townships in the entire management unit; is that
2 not correct?

3 A. Yes. I have identified the specific
4 Township.

5 Q. Selected township, yes.

6 A. Later in the -- it's on Table 5-1,
7 page 35. But, yes, this is only selected townships
8 within one of four Crown management units within
9 Midway--

10 Q. Right.

11 A. --within which Midway operates.

12 Q. And you indicate in the last line of
13 the same paragraph that:

14 "This will generate increases in log
15 costs ranging from 36 to 81 per cent."

16 Now, that is 36 to 81 per cent of what?

17 A. Of log costs.

18 Q. Over what time period?

19 A. Really their average log costs from
20 the same general area at the present time under the old
21 operating plan as opposed to their anticipated higher
22 log costs under the new operating plan from the same
23 general area.

24 Q. Okay. And are these then average
25 costs over five years in the old plan as opposed to

1 five years in the new plan?

2 A. No, really they are recent costs. I --
3 mean, their view of costs at the current-time. To say
4 it a little bit differently, I conceive of them as
5 being expressed in 1989 dollars.

6 Q. Okay. So both sets of costs are
7 expressed in 1989 dollars; is that right?

8 A. No, the existing log costs are
9 expressed -- well, let me say that I guess that's
10 right, conceptually both sets are expressed in 1989
11 dollars.

12 Q. Now, on page 30 on the third
13 paragraph, that is the second bullet, you have said:

14 "But this current case illustrates the
15 implications of the Ministry of Natural
16 Resources' role as the central planner in
17 Crown management units."

18 And I would like you to identify exactly
19 what implications we are to draw from that role?

20 A. As I respond to your question I am
21 not sure that it illustrates implications as much as it
22 illustrates a different set of circumstances, which is
23 the circumstance of the company operating in this
24 context.

25 Q. So you are not proposing that there

1 are some generalizable implications to be drawn from
2 this planning circumstance?

3 A. I am certainly not suggesting that
4 one would attempt to generalize the numbers to all
5 companies operating in Crown management units.

6 I think to some extent the situation that
7 the company finds itself in might be a bit more
8 generalizable; in other words, a small company that is
9 having to deal with a planning environment which is
10 getting more complex and in their view has been
11 designed more with big companies in mind than the small
12 companies.

13 In that sense perhaps it illustrates
14 implications, but no more than that.

15 Q. This is disturbing, Mr. Ross. We
16 would have hoped that the guidelines are planned with
17 respect to environmental needs as opposed to company
18 size. Could you tell us exactly what you mean by an
19 environment that is planned more with regard to large
20 companies?

21 A. Perhaps I mean a process, a planning
22 process that takes substantial time and resources.

23 Q. So it's the time and resources of the
24 planning process that you are referring to?

25 A. Certainly in part, yes.

1 Q. Anything else?

2 A. I am not -- no.

3 Q. These are all quite different
4 questions than the problem of scattered allocations;
5 are they not?

6 A. Yes, but I am not sure why you make
7 the observation.

8 Q. Well, I wasn't aware until you said
9 that that you considered the planning process
10 specifically involved here to be part of the problem;
11 I thought it was simply the results of that process
12 being scattered allocations.

13 I don't think that I personally regard
14 the planning process as part of the problem, I think
15 this case study illustrates the circumstances of a
16 company which by nature of its size in relation to the
17 Ministry on a Crown management unit has to operate in
18 the planning process that has been set up.

19 And perhaps that planning process,
20 certainly in the company's view, has a larger company
21 slant towards it. I am not arguing that that is my
22 view, I think I am arguing that that's the company's
23 view.

24 MS. SWENARCHUK: Could I have a moment,
25 please, Madam Chair?

1 Q. At the top of page 31, Mr. Ross, in
2 the second paragraph you indicate that:

3 "Midway's staff extracted relevant
4 detailed information from the FRI ledgers
5 held by MNR, they also developed and
6 implemented the detailed assumptions
7 required to determine available timber
8 and road costs."

9 Now, what were those detailed
10 assumptions?

11 MR. ROSS: A. Well, I have described
12 them as a process or as a set of assumptions on page 33
13 and the top of page 34. It's really the logic of the
14 analysis, if you will, and if you like I can go through
15 those.

16 Q. Just one question there. The fourth
17 bullet:

18 "It has been assumed that within
19 available timber allocations, 15 per cent
20 of volumes will be lost to reserves. We
21 understand that this is the normal
22 planning parameter for the areas under
23 study."

24 Now, which areas under study are you
25 referring to, first of all?

1 A. The area in which Midway operates.

2 - Q. And by normal planning parameter what
3 are you referring to, where does that figure come from?

4 A. It is I think the estimate that
5 Midway uses as a planning estimate as to what
6 percentage of their allocations may be withdrawn in
7 reserves and it's a number that Midway has derived
8 based on discussions with the unit foresters with whom
9 they are dealing. I think it's the working rule of
10 thumb in that area.

11 Q. Now, is that under the current
12 operating plan or is that something that has been in
13 effect historically?

14 - A. I understand it to be the appropriate
15 number to use for planning purposes kind of from this
16 point on.

17 Q. Under the current guidelines; is that
18 the idea?

19 A. Yes.

20 Q. Under the current protective
21 guidelines?

22 A. Yes.

23 MS. SWENARCHUK: One moment.

24 ---Discussion off the record

25 - MS. SWENARCHUK: Q. The idea of a 15 per

1 cent normal planning parameter surprises, me, Mr. Ross.
2 It's been our assumption, and I think it's been the
3 evidence in this case, that these kind of decisions are
4 made on a very site-specific basis.

5 Are you saying that this is the parameter
6 that MNR operates from in some way in this particular
7 management unit?

8 MR. ROSS: A. When I say planning
9 parameter, what I mean is what sort of a number should
10 one assume when one is looking at allocations in this
11 particular area that might well be withdrawn in the
12 form of reserves, when you haven't actually looked at
13 the detailed circumstance.

14 In other words, it's a rule of thumb to
15 be applied when thinking through the problem, if you
16 will, but obviously the actual reserves that will be
17 put in place will depend on the specific circumstances
18 of the allocations.

19 One of Midway's concerns that they had --
20 I think at the time of the case study they had 66
21 separate parcels allocated to them and I don't think
22 they saw themselves in a position to think through what
23 the actual reserve withdrawals might be in each parcel.

24 Q. On page 32 you have said that:

25 "In effect, the 1990-95 five-year plan

1 requires Midway to put roads in place to
2 access wood which will not be available
3 for cutting for the next 15 to 20 years."

4 Now, primary roads are built to last for
5 at least 15 years, is my understanding. Why is this so
6 surprising?

7 A. Well, I think the assumption that
8 Midway uses is 10 years for the primary roads, it's
9 not -- I think -- well, let me back up a bit.

10 I think Midway has currently operated on
11 the basis that - perhaps hand-to-mouth is a bit
12 strong - but it has a bit of the right flavour as far
13 as road building is concerned.

14 In other words, Midway can afford to
15 invest a certain amount of money in building roads as
16 long as those roads immediately access a significant
17 enough volume of timber that they can, through the use
18 of the timber, pay the road costs. As long as they are
19 in a situation where the road costs and the volumes of
20 timber accessed continue to stay somewhat in a
21 lock-step on a year-by-year basis, then they can, in a
22 sense, finance their ongoing road building through
23 cashflow.

24 When they are in a situation where they
25 are faced with a disproportionate chunk of road

1 expenditures at a given point in time, even if those
2 roads will eventually be useful to them to allocate the
3 timber or to access the timber that they will cut in
4 five years or in 10 years, they have still got a
5 financial problem in the short term, they have got to
6 spend a lot of money on roads and they are not going to
7 get that money back until the timber is eventually
8 available to them which may be in some time.

9 So while the roads might be a useful
10 investment in the sense of being put in place and being
11 available to access timber and to regenerate, et
12 cetera, for a reasonable period of time. In a sense
13 they can't afford to build all the roads now because
14 they are not getting enough revenue back through the
15 timber that is made accessible or, to say a little bit
16 differently, they have to build a lot of roads for the
17 timber that they are going to cut in the next five
18 years.

19 Q. So they are too marginal an operator
20 to be operating on the long term; is that what you are
21 saying?

22 A. No, I am saying that -- you know,
23 that is a business that has been -- I don't know how
24 long it's been in operation, when you look through the
25 operations it's clearly been there for a while.

1 I am saying that you can't really take
2 your roads to the bank, at least if you are somebody
3 like Midway, you have got to -- you can't borrow
4 against them really, so you have to finance them kind
5 of on an ongoing basis and that is historically how the
6 company perceives itself to have operated.

7 They will give us some timber
8 allocations, we will build the roads, we will pay for
9 the road costs and get the cash that will let us build
10 the next set of roads.

11 Q. They received some government funding
12 for road building; did they not?

13 A. They have received some, yes.

14 Q. And how does that factor into the
15 road costs you looked at here?

16 A. They variedly received two chunks of
17 funding. I think one was just last summer which was to
18 enable them to access -- I think to get through a burn,
19 I forget the details. That hasn't added into the
20 calculation at all.

21 They had one other grant or at least
22 through one of their contractors they received a grant.
23 I am just trying to recollect how that has been dealt
24 with in the road costs.

25 I think the answer is the contractor who

1 .. operates -- the contractors from whom they got the road
2 costs was not the contractor who got the grant. They
3 have two contractors; one contractor received a grant a
4 few years ago, the road costs are from the other
5 contractor, which is to say I think probably the grant
6 has not been added back to the road costs, if you will.

7 Q. So if we had been looking at road
8 costs for their other contractor those costs would have
9 been lower?

10 A. If they were net of grant, but of
11 course they would have been in a different place too
12 and different circumstances.

13 Q. At a minimum what you have told us is
14 we haven't got here a comprehensive look at their road
15 costs, we have costs fixed based on one of their two
16 contractors?

17 A. Yes, but I am not suggesting that
18 both contractors are operating in this specific case
19 study area.

20 Q. And I guess you have also told us
21 that the cost figures you have given us, again getting
22 back to the question of representativeness, don't
23 represent the company-wide cost problem even, never
24 mind industry-wide cost problems?

25 A. I don't think we know, just as in the

1 Abitibi-Price case study, there is a case study area
2 and we have looked at it similarly here. I would
3 suspect frankly that this is a more unusual situation
4 from a cost perspective than is the Abitibi.

5 Q. I think it's unfortunate that there
6 wasn't more detail of the costs provided in the report.
7 Can I just go back to --

8 MR. COSMAN: Madam Chair, counsel
9 shouldn't be adding her comments. Her job at this time
10 is to ask questions and it's not proper in conducting
11 the cross-examination to add editorial comments to the
12 answers that were provided.

13 If Ms. Swenarchuk asks a proper question
14 she's entitled to an answer. I do not add why I think
15 an answer is good or appropriate and, similarly, when
16 she is asking questions she shouldn't be adding the
17 kind of editorial comments that she has just added at
18 the end of the last question.

19 MADAM CHAIR: Thank you, Mr. Cosman.
20 That is the way we conduct this hearing, Ms.
21 Swenarchuk.

22 Could you repeat your last question? Was
23 it finished, were you moving on to a new question?

24 MS. SWENARCHUK: Yes.

25 MADAM CHAIR: Okay.

1 MS. SWENARCHUK: Did you want me to
2 repeat the last question.

3 MADAM CHAIR: Yes, please.

4 MS. SWENARCHUK: I am not sure I remember
5 the exact phrasing of the last question. It had to do
6 with whether the road costs that are in the report were
7 representative of Midway's entire road costs problem,
8 and what I was coming to understand from Mr. Ross'
9 answer was that the road costs reflected in the report
10 were the road costs of the contractor in this
11 particular study area, but that their road costs
12 associated with another contractor in yet another area
13 would be different figures.

14 Q. That's correct; is it not? And one
15 of the factors was that one of the factors with the
16 other contractor is that that contractor had received
17 some government funding.

18 MR. ROSS: A. Yes, but let me clarify
19 what that means. When I am using the phrase road
20 costs, I am talking about how much of the cost of the
21 wood delivered to Midway's wood mill is made up of the
22 recovery of road costs -- expenditures.

23 Midway has quite a scattered set of
24 allocations, if you will, of timber and some of the
25 timber is a lot further from their mill than other

1 parts of their timber. So that if the road costs in
2 the various sets, if you will, of timber that is coming
3 from different areas is obviously quite different.
4 They have some quite long hauls in some of their
5 allocations and some of the allocations are closer to
6 the mill.

7 So that I am not sure one would read
8 anything into the fact that the road costs for Peshu
9 Lake are different than the road costs for another of
10 their Crown management units, for example, because it
11 may be some quite different distance from the mill.

12 Q. And I just want to go back to an
13 earlier comment by you which was that Midway is not in
14 a position to borrow against its roads. Now, is that a
15 possibility for FMA holders or not?

16 A. I doubt it, but I don't know.
17 Perhaps a better way to say what I said is, having to
18 spend a good deal of money on roads in a short period
19 of time creates a financing problem for Midway.

20 Q. Now, could we just take a look again
21 at Exhibit 1060 which was the ESP Zone-outs Survey?

22 A. Yes.

23 Q. And Midway Lumber Mills appears as
24 the sixth company from the bottom of that page. And
25 you will agree; will you not, that it has the highest

1 per cent loss of productive land of any of the
2 companies listed there at 28. - I believe that is 8 per
3 cent.

4 A. Yes.

5 Q. And that's almost three times the
6 average loss of 9.6 per cent--

7 A. Yes.

8 Q. --listed at the bottom?

9 A. Yes.

10 Q. So again, is it not true that Midway
11 Lumber's position of land lost to reserves represents
12 rather a worst case scenario as well; it seems to be
13 the most serious -- the largest loss of productive
14 lands experienced by a company in the survey?

15 A. Yes. If I had made the connection
16 between the two things I would have checked with Midway
17 to see what was behind that, but I didn't make that
18 connection and I don't know why that number is what it
19 is.

20 Q. Now, one last question on the last
21 chapter of this report. Exhibit 9, opposite page 45,
22 on long-term impacts of changed forest management
23 policies. Box No. 5 at the bottom refers to fewer
24 long-term operating jobs or essentially I think
25 employment losses in the industry.

1 Would you agree that there are some
2 alternative methods such as manual tending, for
3 example, which are more labour intensive and could
4 increase employment in the industry in certain areas?

5 A. Compared to what?

6 Q. Compared to employment now available
7 in those occupations. In other words, that not all
8 alternative methods of carrying out forest management
9 policies necessarily involve reduced employment?

10 A. No, I would agree with that. I think
11 that there are two different issues here that are
12 getting entangled perhaps.

13 To the extent that forest management
14 policies have a meaningful impact on fiber costs or
15 availability or risks and that leads, through the same
16 kind of mechanism that Mr. Watson was describing
17 yesterday, to lower levels of activity than would
18 otherwise take place, either lower levels of operations
19 or lower levels of investment, then there will be less
20 employment than there otherwise would.

21 If either at the same time or unconnected
22 to that there is a shift towards some technology which
23 is much more labour intensive than a current
24 technology, then presumably there will be an employment
25 increase. I guess the issue then becomes: Are the

1 jobs of similar -- well, (a) what are the economics of
2 the shift and (b) are the jobs of similar quality?

3 And I am pretty sure that if you were to
4 ask somebody working in a pulp and paper mill if they
5 would feel comfortable switching that job for a manual
6 tending job in the woods, the answer probably would be
7 no, I would guess.

8 So that perhaps I am just reiterating
9 from a different perspective Mr. Watson's -- some of
10 his comments yesterday, which is: There are jobs and
11 there are jobs, and one needs to consider the quality
12 both in terms of the working circumstances and also the
13 income opportunities.

14 Q. Isn't it a leap again, Mr. Ross, to
15 assume that if in some areas such options as manual
16 tending were to increase employment, that one should
17 also assume that that would happen within a context of
18 overall reduced employment across the industry?

19 A. I think I said that they may or may
20 not be connected, that it's not necessarily the case.

21 Q. Exactly.

22 A. If manual tending though is a form of
23 forest management policy which in the end increases
24 wood cost to the industry, then perhaps some of these
25 negative impacts that are illustrated in this exhibit

1 would also occur.

2 In other words, the issue of whether
3 - manual tending is cost effective or efficient from the
4 perspective of overall cost to the industry would have
5 to be addressed in that consideration as well.

6 Q. Agreed.

7 MS. SWENARCHUK: Those are my questions,
8 Madam Chair.

9 MADAM CHAIR: Thank you very much, Ms.
10 Swenarchuk.

11 Thank you, gentlemen, you are finished
12 for the day.

13 MR. ROSS: Thank you.

14 ---(Panel withdraws)

15 MADAM CHAIR: And should we go into
16 scoping Panel 3. I think it would be fairly quick.

17 We haven't heard from Ms. Kleer, but I am
18 going to assume she doesn't want to because she would
19 have given us a written statement of issues. The last
20 correspondence we had from her -- unless you have more
21 information, Mr. Cosman.

22 MR. COSMAN: No, we do not, Madam Chair.

23 Just with respect to scoping, I may or
24 may not have Mr. Cassidy who is going to be doing Panel
25 3 with me. I called to say he should be here at 4:30,

1 left a message. But, in any event, I wonder just if
2 you feel that you would like to go ahead, I will do my
3 best in his absence.

4 Perhaps just before you do, I wonder if
5 we might be able to once again revisit the timing of
6 this week and what we have down the line because, of
7 course, at the end of it all there is my
8 re-examination.

9 So I don't want to because of scheduling
10 find us here some time on Friday when we might
11 otherwise have finished on Wednesday night or Thursday
12 noon. That is just -- maybe it might be helpful just
13 to revisit that to see where we are going from here
14 with the other parties.

15 MADAM CHAIR: You want to canvass the
16 other parties. I understand Ms. Kleer will start
17 tomorrow morning, and I think she said two hours -- two
18 to three hours.

19 Mr. Freidin?

20 MR. FREIDIN: Based on what I have heard
21 now, I would say about an hour and a half.

22 MADAM CHAIR: Ms. Seaborn?

23 MS. SEABORN: Two hours.

24 MADAM CHAIR: Well, we will be finished
25 these parties tomorrow.

1 MR. COSMAN: Before three.

2 MADAM CHAIR: Yes, and Mr. Colborne will
3 be coming first thing Thursday morning. Is he flying
4 in Thursday morning? I think he's in court tomorrow
5 and --

6 MR. COSMAN: He will be coming in
7 tomorrow night, and I just don't want us to sit around
8 Thursday morning.

9 MADAM CHAIR: No, I understand he will be
10 here first thing.

11 MR. COSMAN: Yes.

12 MADAM CHAIR: So how long will your
13 re-examination be?

14 MR. COSMAN: So far 20 minutes. It
15 depends on the questions and the answers in subsequent
16 panels or subsequent cross-examiners, and I tend not to
17 spend a long time on re-examination, but 20 minutes is
18 what I have at the moment.

19 MR. FREIDIN: You can make it with that,
20 Mr. Cosman.

21 MS. BLASTORAH: Madam Chairman, have we
22 had --

23 MR. COSMAN: I will undertake to beat Mr.
24 Freidin's record on that.

25 MADAM CHAIR: Thank you.

1 MS. BLASTORAH: I may have missed it, but
2 have we had any indication from Mr. Colborne how long
3 he expects to be?

4 MADAM CHAIR: We will check with Ms.
5 Devaul again. I thought it was a couple of hours.
6 ---Discussion off the record

7 MS. SWENARCHUK: Here is my copy of
8 Exhibit 1058 which I said I would provide as the Board
9 copy. (handed)

10 MADAM CHAIR: Yes.

11 Mr. Cassidy, with respect to Panel 3, the
12 Board has two questions of clarification with respect
13 to this material and the first is on page 33 of the
14 document.

15 And on this page you refer to clearly
16 informing the public that a timber management plan may
17 have to change if markets or other influences shift
18 during the planning period, and our question is really:
19 Does industry see itself taking a more active role in
20 public open houses to explain these kind of changes?
21 Should there be a need to do that?

22 That is not stated in your statement, but
23 there seems to be a sort of logical link there.

24 And our second comment is, on page 43
25 there is a discussion generally about the need for a

1 revised timber production policy and presently is it
2 the case that the timber production policy is jointly
3 developed by MNR and industry. Or is it the case that
4 industry is not consulted now, or is inadequately
5 consulted in the formulation of the timber production
6 policy?

7 MR. CASSIDY: Thank you, Madam Chair.

8 MADAM CHAIR: And those are our comments.

9 Is there anything you would like to say,
10 Mr. Cassidy, before we asked the parties?

11 MR. CASSIDY: No, Madam Chair.

12 MADAM CHAIR: Is there anything any of
13 the parties have to add with respect to your written
14 statements of issue?

15 MS. SWENARCHUK: I have nothing to add,
16 Madam Chair.

17 MR. FREIDIN: Nor do I.

18 MADAM CHAIR: All right, that makes it
19 easy. Do you have any questions to put to the parties
20 about their statements, Mr. Cassidy?

21 MR. CASSIDY: Not with respect to these
22 parties, Madam Chair.

23 If I could just get an understanding of
24 who I anticipate will be cross-examining based on
25 receiving the statements of issues. I anticipate that

1 - and this is purely for timing purposes - that the
2 Ministry of Environment, Natural Resources, Forests for
3 Tomorrow will be cross-examining.

4 I received a letter from counsel for the
5 Nishnawbe-Aski Nation, who is not here today,
6 indicating that they may wish to cross-examine once
7 they have received answers to the interrogatories for
8 this panel.

9 Those answers have gone out and I was
10 wondering if the Board had heard from NAN one way or
11 the other whether or not they intend to cross-examine
12 on this panel?

13 MADAM CHAIR: We didn't hear anything in
14 addition to that correspondence, and we assume they are
15 not cross-examining.

16 MR. CASSIDY: Fine. I will just as a
17 precaution make a point of speaking to Ms. Kleer and
18 determining that, and if the indication I receive is to
19 the contrary of what you now have indicated, I will so
20 inform the Board.

21 MADAM CHAIR: All right, thank you very
22 much.

23 One other question. Mr. Martel pointed
24 out that we haven't set a schedule for scoping Panel 4.
25 Do we have a deadline for submitting statements for

1 Panel 4?

2 MS. SWENARCHUK: That is the panel, Madam
3 Chair, in which there will be no cross-examination.

4 MADAM CHAIR: Oh, we are not going to do
5 scoping, that's right.

6 MS. SWENARCHUK: That is the overview
7 panel. But then it raises the same question with
8 regard to Panel 5, which will come after that, and I
9 think the expectation is that - Mr. Colborne has left -
10 but I think the expectation is that perhaps Panel 3
11 will be completed in Thunder Bay next week and that the
12 following week we will hear the evidence from Panel 4,
13 an overview of the Industry's planning proposal as well
14 as the direct evidence on Panel 5.

15 MR. CASSIDY: Perhaps I can assist, Madam
16 Chair. On the assumption that we do complete the wood
17 supply evidence next week and then commence with the
18 fourth panel on April 10th, and on the assumption that
19 that concludes in the morning of April 11th, we are
20 preparing for the access panel to commence on the
21 afternoon of April 11th and, therefore, it may be
22 opportune at this time since all counsel are here to
23 schedule both a deadline for the statements of issues
24 and the actual scoping session for Panel 5.

25 I might request -- well, since we will be

1 in Thunder Bay it would make sense obviously to have
2 the scoping session in Thunder Bay.

3 MS. SWENARCHUK: Absolutely.

4 MS. SEABORN: Excuse me, Madam Chair,
5 just one question for Mr. Cassidy, if I may.

6 Weren't you also going to be calling some
7 evidence to do with an overview of Panel 10 at the end
8 of Panel 4.

9 MR. CASSIDY: Yes. As Mr. Cosman
10 indicated earlier that would occur immediately upon
11 conclusion of Panel 3, but we still anticipate that we
12 could.

13 MR. COSMAN: Panel 4.

14 MR. CASSIDY: Excuse me, the end of Panel
15 4. We still think that barring unforeseen
16 circumstances we could be in a position to start the
17 access panel on April 11th, however, we would be in a
18 position to start the next day, April 12th, if not.

19 MADAM CHAIR: Well, let's set the dates
20 then for scoping Panel 5.

21 MR. CASSIDY: Can I suggest, Madam Chair,
22 that that occur on the -- I understand that you wish to
23 do these matters at the end of each day now. Could I
24 suggest that that occur on April 4th?

25 MR. MARTEL: Well, we have to get the

1 statements of issues before we can settle the date;
2 don't we?

3 MR. CASSIDY: No, that's right.

4 MR. MARTEL: We haven't received the
5 statements of issue.

6 MR. CASSIDY: Yes. Madam Chair asked
7 about the scoping session--

8 MR. MARTEL: You can't scope them until
9 you get...

10 MR. CASSIDY: --I was trying to answer
11 her question. I understand.

12 MR. MARTEL: We have to set the date for
13 the receipt of those.

14 ---Discussion off the record

15 MR. CASSIDY: It may be appropriate, if I
16 could assist, Madam Chair, to have the deadline on
17 April 4th and I suspect the scoping session will not
18 take long on that panel, although I haven't seen the
19 statements of issues, but on that assumption we could
20 do it either the end of the day on April 4th or the end
21 of the day on April 5th just before we leave.

22 ---Discussion off the record

23 MADAM CHAIR: Mr. Cassidy, if we set the
24 deadline for statements of issues for April the 4th,
25 can we scope that on the 5th, can we have the session?

1 MR. CASSIDY: That's fine with me, Madam
2 Chair. We could finish at three o'clock on the 5th.

3 And, Mr. Martel, I don't know what time
4 your flight is, it may mean -- some of the counsel are
5 suggesting April the 3rd for scoping on April 4th.

6 MADAM CHAIR: Okay, with the scoping on
7 April 4th. Okay, that is better. Yes, statements of
8 issues April 3rd deadline, and we will scope the
9 evening of April the 4th.

10 MR. CASSIDY: Thank you, Madam Chair.
11 ---Discussion off the record.

12 MADAM CHAIR: Yes, Mr. Freidin?

13 MR. FREIDIN: Just one other matter. Mr.
14 Cassidy, can you indicate how long you think you will
15 be in direct on Panel 3?

16 MR. CASSIDY: Half a day.

17 MR. FREIDIN: I can advise, Madam Chair,
18 that I can estimate I will be two hours in my cross.
19 If we can get an assessment now of what people might be
20 it might be helpful to make other plans.

21 MR. LINDGREN: I would estimate three to
22 four hours, Madam Chair.

23 MADAM CHAIR: Ms. Seaborn?

24 MS. SEABORN: Ms. Harvie is going to be
25 doing the cross-examination of that panel, Madam Chair.

1 Just one moment.

2 Two and a half hours to three hours,
3 Madam Chair.

4 MR. CASSIDY: I think it's safe to assume
5 we will complete next week, Madam Chair.

6 MADAM CHAIR: Yes, in two days.

7 MR. CASSIDY: As I indicated, I don't
8 know whether Ms. Kleer intends to cross-examine and
9 there may be some re-examination as well, in which case
10 we might be able to do the scoping session during the
11 regular business hours.

12 MADAM CHAIR: That's right. Is there
13 anything else?

14 (no response)

15 Nothing. Thank you very much. We will
16 see you tomorrow morning at 8:30.

17 MR. CASSIDY: Thank you.

18 ---Whereupon the hearing adjourned at 5:10 p.m., to be
19 reconvened on Wednesday, March 28th, 1990,
commencing at 8:30 a.m.

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